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# ***Daily Report***

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## **China**

**FBIS-CHI-89-016  
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# Daily Report China

FBI'S-CHI-89-016

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**General**

**Foreign Ministry Holds Weekly News Briefing**

**Comments on Cambodia**

OW2601115289 Beijing XINHUA in English  
1054 GMT 26 Jan 89

[Text] Beijing, January 26 (XINHUA)—China has agreed to hold consultations with Vietnam "in order to promote a fair and reasonable political settlement of the Kampuchean issue at an early date and to bring peace to Kampuchea," Chinese Foreign Ministry Spokesman Li Zhaoxing said at a weekly news briefing here today.

When asked why China would discuss with Vietnam the domestic aspect of the Kampuchean issue in addition to the issue of complete withdrawal of Vietnamese troops from Kampuchea, Li said the Kampuchean issue has been resultant from Vietnamese invasion and naturally Vietnam bears unshirkable responsibility for a comprehensive settlement of the issue, including its domestic aspect, which has been created by Vietnam's invasion of Kampuchea.

"We maintain that along with Vietnam's genuine and complete troop withdrawal from Kampuchea, the four parties in Kampuchea should reach national reconciliation, and establish a provisional quadripartite coalition government of a transitional nature headed by Prince Norodom Sihanouk to organize a future general election and make proper arrangement for the troops of each party."

No party should be excluded from the coalition government and no party should be allowed to hold a power monopoly, he said, adding that "It is impossible for any party to monopolize power following Vietnam's troop withdrawal, nor would it be acceptable to the international community."

"Only with a quadripartite coalition, can civil war and turmoil be avoided," the spokesman said. "This is not only in the interests of the Kampuchean people but also in the interests of Vietnam, Thailand, and other neighboring countries, and represents the universal aspiration of the international community."

In response to a reporter's question concerning China's attitude toward the various proposals for holding an international conference on the Kampuchean issue, Li said China has always supported proposals or actions conducive to a just and reasonable solution to the Kampuchean question.

"We hold that all parties concerned should reach an agreement on the political settlement of the Kampuchean issue first and then convene an international conference, so as to provide international guarantee for the implementation of the agreement, and for the independence, neutrality and nonaligned status of Kampuchea."

By that time, China is willing to participate, along with other countries, in the effort for the relevant international guarantee, the spokesman said.

**Announces Shevardnadze Visit**

OW2601112689 Beijing XINHUA in English  
1032 GMT 26 Jan 89

[Text] Beijing, January 26 (XINHUA)—Foreign Minister E.A. Shevardnadze of the Union of Soviet Socialist Republics will pay an official visit to China from February 2 to 4 at the invitation of Chinese Foreign Minister Qian Qichen.

This was announced by Chinese Foreign Ministry Spokesman Li Zhaoxing at a weekly news briefing here today.

**On Pakistani Premier's Visit**

OW2601112289 Beijing XINHUA in English  
1031 GMT 26 Jan 89

[Text] Beijing, January 26 (XINHUA)—Prime Minister Benazir Bhutto of the Islamic Republic of Pakistan will pay an official visit to China from February 11 to 13 at the invitation of Chinese Premier Li Peng.

Chinese Foreign Ministry Spokesman Li Zhaoxing made this announcement at a weekly news briefing here this afternoon.

**Thai Foreign Minister To Visit**

OW2601111589 Beijing XINHUA in English  
1035 GMT 26 Jan 89

[Text] Beijing, January 26 (XINHUA)—Foreign Minister Sitthi Sawetsila of the Kingdom of Thailand will pay a visit to China from February 9 to 12 at the invitation of Chinese Foreign Minister Qian Qichen.

This was announced by Chinese Foreign Ministry spokesman Li Zhaoxing at the weekly news briefing here today.

**Condemns Israeli Actions**

OW2601093289 Beijing XINHUA in English  
0917 GMT 26 Jan 89

[Text] Beijing, January 26 (XINHUA)—A Chinese Foreign Ministry spokesman today condemned Israeli authorities' recent "savage" suppression of the Palestinian people in the occupied territories and expressed China's "profound" sympathy for the suffering of the Palestinian people.

Li Zhaoxing said at the weekly news briefing here this afternoon that at a time when the Palestinian Liberation Organization (PLO) has repeatedly demonstrated its sincerity for peace, Israel's continued ruthless suppression of the helpless Palestinian people not only constitutes a



serious violation of human rights and a breach of the norms of international law, but also has seriously upset the effort for a political solution to the Middle East question.

Israel should, in keeping with the trend of relaxation of the international situation, immediately stop its suppression of the Palestinian people in the occupied territories and respond positively to the effort of the international community for a peaceful settlement of the Middle East question, the spokesman said.

**Liaison Group To Meet in Macao**  
OW2601110489 Beijing XINHUA in English  
1030 GMT 26 Jan 89

[Text] Beijing, January 26 (XINHUA)—As agreed upon between the two sides, the third meeting of the Sino-Portuguese Joint Liaison Group is scheduled to commence in Macao on January 31, 1989, Chinese Foreign Ministry spokesman Li Zhaoxing announced here today.

The two sides will continue their in-depth consultations on issues of mutual interest, the spokesman said.

**Official Calls for Further Technology Transfer**  
OW2401232189 Beijing XINHUA in English  
1937 GMT 24 Jan 89

[Text] Geneva, January 24 (XINHUA)—A Chinese official said here today that developed and developing countries should try to revitalize the stagnated international transfer of technology.

Li Zhimin, Chinese deputy representative to the Geneva U.N. office, told a committee of the U.N. Conference on Trade and Development that developed countries should "adopt a more positive attitude" by eliminating irrational restrictions on "fair and reasonable" transfer of technology.

Developing countries are creating favorable conditions for foreign investment and technology inflows, he told the seventh session of the committee considering the transfer and development of technology and related issues.

Li said that sluggish world economy growth in the 1980s has resulted in a drastic reduction of technology transfer.

"The technological gap between the North and the South has been widening," he said, pointing out that a good international environment is needed to end the stagnation of the transfer.

Li expressed the hope that the developed countries would reduce protectionism, open domestic markets, and improve the abilities of the developing countries to earn foreign exchange through exports to create conditions for the developing countries to import advanced technology.

"It is our belief that only by promoting the development of the developing countries through increasing technology flows can there be guarantees for the sustained growth of the world economy, and this eventually, will be beneficial to the economic development of all countries," he said.

**Shipping Business Hits 'All Time High' in 1988**  
HK2501022289 Beijing CHINA DAILY  
in english 25 Jan 89 p 1

[By staff reporter Liu Dizhong]

[Text] China's shipping business hit an all time high last year both in the number of ocean-going ships coming to its ports and in the volume of cargo handled, Cao Zang, general director of the China Ocean Shipping Agency, told CHINA DAILY.

He said this achievement came in spite of the intense competition on the world shipping market and the measures taken at home to cool the economy.

This year too is expected to see even greater progress as it is planned to open new lines to South America and expand existing business, he said.

Last year, he said, more than 41,000 ocean-going ships called at Chinese ports with a total cargo volume of 162 million tons, a rise of 6 per cent and 12 per cent respectively over the previous year.

This is the highest record over the past four decades, turning the agency into one of the major national hard currency earners, Cao said.

The open policy and the dramatic upsurge in the export-oriented economy has given a great incentive for expansion in the shipping industry which started almost from scratch when the People's Republic was founded in 1949.

Now China has 40 international shipping lines with a fleet of more than 620 vessels sailing from China to about 600 ports in 150 countries and regions.

In addition to expanding shipping business with Asian and Mediterranean countries, it is planned to make maiden voyages to Brazil, Argentina and other major South American countries in the latter half of this year, Cao said.

He said that unofficial shipping trade with South Korea has been on the increase in recent years.

About 300 Soviet ships called at Chinese ports last year with a total cargo volume of 2.5 million tons, he said, adding that this figure could well be vastly improved because of the dramatic improvement in Sino-Soviet economic relations.



The China Shipping Agency, known as Penavico as it was set up 36 years ago on the basis of the People's Navigation Company has business contacts now with shipping agencies and companies in about 150 countries and regions.

To keep pace with the rapidly growing export-oriented economy and to end the State monopoly in the shipping business, the State Council approved last year the new measures to encourage the coastal provinces and special zones to build up their own ocean-going fleets and run their own port services.

Cao said that Penavico, still the leading shipping agency in the country, is facing hard competition from both overseas and domestic markets.

The nation's on-going campaign to right the economic situation would have no adverse effects on the overseas shipping business as foreign trade was expected to continue increasing this year.

Cao said every effort would be made to improve Penavico services to attract more Chinese and foreign customers. This would include computerization of documents and information transmission between the Beijing-based headquarters and the 44 branches and 18 offices across the country.

#### United States & Canada

**Hong Kong Paper Reports Presidential Visit**  
HK2601042489 Hong Kong TA KUNG PAO  
in Chinese 26 Jan 89 p 2

["Special dispatch from Washington" by TA KUNG PAO U.S.-based correspondent Chiang Kuo-yuen (1203 0948 0337): "Bush Is Reportedly To Visit China on 25 February"]

[Text] Washington, 25 Jan—A Washington source said: New U.S. President George Bush will pay a visit to China after attending Japanese Emperor Hirohito's funeral during the last 10 days of February.

The source also said: Bush's forthcoming and first Far East trip since taking office will also include a visit to South Korea. The source disclosed that plans for the visit had been finalized and were expected to be made public in the near future.

A White House spokeswoman told this reporter this morning that it was only known that Bush would go to Japan. As for the news of his visit to China and South Korea, the spokeswoman indicated that it was not yet known.

A person close to the White House said: Bush's visit to China will be a trip with a tight schedule. This is because, having served as director of the U.S. Liaison Office in China, Bush is familiar with China's scenery and can concentrate his energy on holding talks.

People in diplomatic circles here pointed out: Bush's trip to China is scheduled after Soviet Foreign Minister Eduard Shevardnadze's visit to China and before Soviet leader Mikhail Gorbachev's visit to China in May. As far as U.S.-China policy is concerned, this is a posture aimed at stabilizing the triangular relationship between China, the United States, and the Soviet Union.

**Commentary on Bush's Inaugural Address**  
HK2501114889 Beijing RENMIN RIBAO  
in Chinese 25 Jan 89 p 6

[Commentary by RENMIN RIBAO Reporter Cang Lide (0221 4539 1795): "From Reagan to Bush"]

[Text] Watching Bush shaking hands with Ronald Reagan and delivering his inaugural address in front of the Capitol, the American people keenly felt that "the Reagan age" was over, and Bush would be the new U.S. President with his "power and responsibility, opportunities and challenges" equally great in the next 4 years leading to the 1990s.

The American people acknowledge universally that Bush has had rather good luck, for he has come into office inheriting the "peace and prosperity" of the Reagan age, while "no imminent crisis" seems to surface in the United States. The "Reagan revolution" stamped a deep brand on the United States in the 1980s. When Ronald Reagan first came into the White House in early 1981, the U.S. economy was in a stalemate, with double-digit inflation, the failed rescue of American hostages in Iran, and U.S. foreign policies suffered from serious setbacks. In the 8 years thereafter the United States went through a period of economic expansion that lasted more than 6 years, the longest one in postwar, peacetime days. At present its industrial operating rate and employment rate are at their peak for recent times, and its inflation rate has maintained a low level of 4.4 percent for 2 consecutive years. In foreign affairs the United States has improved its relations with the USSR, and promoted the pacification of, or "lowering the temperature of," some regional conflicts. Therefore, the very first thing Bush said in his inaugural speech was "President Reagan, on behalf of the nation, I thank you for the wonderful things you have done for America."

At the same time Bush is facing, in the "legacy of Reagan," all those new and old problems awaiting solution. In his address he stated that "things may be difficult," "we will make the hard choices," "the old solution, the old way" will be given up, while repeatedly stressing that "a new breeze is blowing."

The focus of Bush's inaugural address was on domestic issues.

"We must bring the federal budget into balance." It seems that Bush has grasped the major stubborn disease of the U.S. economy. As a consequence of the Reagan

administration's expanding financial policy, social consumption volume has exceeded output volume. Under such circumstances, the United States has to anticipate its income and to rely on the "transfusion" of foreign capital to maintain its "prosperity." According to the stipulation in the Gramm-Rudman-Hollings budget-balancing law, the 1990 fiscal budget deficit should be cut back to \$100 billion. A recent poll has shown that the majority believed that Bush could not make it unless taxes are increased. However, Bush would not go back on his presidential campaign promise of "no tax increase," and that is a contradiction. In fact, Bush's newly appointed chief of Management and Budget, Richard G. Darman, has already proposed levying a "oil-using tax."

Bush stressed that the "most obvious" "scourge" in the United States now is drugs. He said that "it may as well have been a deadly bacteria, so much has it hurt the body, the soul of our country." In fact, the war on drugs began in the Reagan administration, with little effect. Public opinion has pointed out that drugs are available now on almost every street corner in any city or town in the United States, and a black market for drugs is located within a stone's throw of the White House. The number of U.S. prisoners has increased by two-thirds since the beginning of the 1980s, and all state prisons are packed full. One important cause leading to this is the drastic increase in robbery and homicide cases as a consequence of drug addiction and trafficking. The majority of the American people are hoping that the Bush administration will do something substantial to halt the flood of drugs.

In foreign relations, Bush expressed that, "we will continue the new closeness with the Soviet Union." We can see that the Bush administration will maintain the continuity of Reagan's foreign policies, and has placed improvement of U.S.-Soviet relations as one of the top priorities on the foreign affairs agenda. The United States has not yet presented an explicit policy on further relaxing East-West relations since Gorbachev announced disarmament in terms of half a million men at the UN General Assembly. Bush expressed that no rash action would be taken regarding the Soviet proposal for a new summit as early as possible. Analysts believe that Bush and his newly appointed cabinet are formulating a wide-ranging plan, and the first thing is to consult with U.S. allies in the West and to harmonize their steps.

Scanning Bush's inaugural address, we find its focus is on explaining the intention and principles of his administration rather than specific policies or plans for action as solution to domestic and foreign affairs. He has stressed that the White House and the Congress should work together to deal with the challenges in a spirit of "compromise" and "harmony."

Various circles in the United States have basically shown a welcoming attitude toward Bush's inaugural address. Some personalities of the media believe that, Bush has pointed out the issues of the greatest concern among the American people today, and he will be a "pragmatic,

mild, and modest" president. Regarding the general principle of administration, Bush will follow the track of his predecessor while conducting some reform. Reagan has now left office and returned to his hometown. When the bustle and excitement of Bush's inauguration is over, we shall see how Bush plays out the following acts.

**RENMIN RIBAO on How Americans View Bush**  
*HK2601043989 Beijing RENMIN RIBAO*  
*in Chinese 23 Jan 89 p 6*

[Article by staff reporter Zhang Qixin (1728 0796 2500):  
"What Are the Americans Thinking?"]

[Text] Washington, 20 Jan—The 41st President of the United States has taken the oath of office. What is the Americans' view of the new administration. What are they thinking and concerned about? From 12 to 15 January the NEW YORK TIMES and the Columbia Broadcasting System jointly conducted an opinion poll among 1,533 adults in 48 states of the United States except Alaska and Hawaii. The results of the survey show that most Americans express optimism over the current state of the country and the new President. They feel satisfied with life today. But they also say that the new President perhaps cannot solve the two most important current problems—the federal deficit and drug abuse.

Present American sentiment shows many changes compared with a few years ago. For example, 4 years ago people worried about the threat of nuclear war. Now, given an improvement in U.S.-Soviet relations, such fears have been replaced by those over domestic problems.

Of various domestic problems, the matter of whether the administration would increase taxes to reduce the budget deficit has become a subject of controversy among people and the hottest topic in news reports. Most of the Americans polled do not quite believe the promise President Bush made during the election campaign about "no new tax increase." Seventy-three percent of the people consider that in the coming 4 years the new administration would very likely ask Congress to increase tax revenue, because the current annual budget deficit stands at about \$155 billion. College graduates are especially sensitive to this, equating the budget deficit with the most important problem in the United States. Fifty-eight percent of people surveyed favor no additional increase in military spending. Twenty-four percent believe that military spending should be reduced from the current level. Only 14 percent call for an increase in military spending.

Widespread drug abuse is another worrisome problem for people. Sixty-nine percent of people surveyed believe that the federal government should spend more on fighting drug abuse. Fifty-one percent also say that they are willing to make an extra annual tax payment of \$100 to the federal government to help fight the drug problem.



On the current state of the United States, various social strata have different comments. Generally speaking, those males have a higher opinion than females, and whites a higher opinion than blacks. On the outlook for the U.S. economy, there are also different ways of thinking. Most of the people polled hope that in 4 years the economy will not be much different from what it is now. Twenty-two percent also think that it will be a bit better. But 12 percent estimate that the economy will worsen.

**'Idealism, Realism' of U.S. Policy Viewed**  
CW2601063489 Beijing BEIJING REVIEW  
in English 23-29 Jan 89 pp 12-14

[Second and last part of article by Wang Jisi: "Idealism, Realism: The Weave of U.S. China Policy"; Part One was published in the 18 January 1989 China DAILY REPORT]

[Text] Ronald Reagan came to the presidency when United States' strength, international status and prestige had taken a nose dive. Domestically, conservatism was the rage. In foreign relations, there arose a new realism and clarity of purpose that called upon the United States to reshoulder the responsibility of "making the world safe for democracy." Americans had hoped that a resolute and hawkish leader would appear to reinvigorate their country and resume its leading role in the world.

A new nationalism that cropped up in the early 1980s was characterized by a reborn anti-communism. This brand of "Red-bashing" was not only opposed to Soviet expansionism but also was aimed at creating a global policy that would keep any communists from assuming power. As Arthur Schlesinger, Jr., a noted historian, pointed out, "the Reagan administration sees the world not through the prism of history but of ideology." Though giving lip-service to the principle of realism, Reagan made almost no mention of the balance of power principle in traditional diplomacy or of the world's trend towards multipolarization.

Generally speaking, Reagan's diplomacy, especially during his first term in office, was very clearly earmarked with ideology. Reagan proclaimed several times that he frequently urged prayer "for the salvation of all those who live in a totalitarian darkness." His attempt to apply this anti-communist principle to his China policies nearly wrecked Sino-US relations. At that time Reagan's chums in the White House were extreme conservatives and they, like Reagan, energetically advocated the official reestablishment of diplomatic relations with Taiwan. In the opposite corner was the Reagan administration's first Secretary of State Alexander Haig. Proceeding from the United States' strategic interests, he actively supported the promotion of US relations with China. He later recalled that he was strongly opposed by some government skeptics who failed to convince themselves that all communists were not the same and that

\*national interests, at the very least, like ideology, are the safest guidelines for national behaviour. Reagan, on the contrary, disagreed with him.

Haig's successor, George Shultz, worked well in harness with Reagan. Although he was publicly tight-lipped about Reagan's principle of idealism, Shultz used his policy speeches and diplomatic activities as a billboard for his own pragmatism. He once pointed out that a staunch pursuit of moral principles could not replace a correct foreign diplomacy.

Judging from the US side, the fact that Sino-US relations went back on a steady path of development after the August 17 Communiqué of 1982 showed that some ideologues in the White House lost their favour. Reagan, somewhat of a Lone Ranger, is not a president who powwows with his aides on everything. Relations with China were gradually transferred into the desecrated and experienced hands of State Department officials, and the government seemed to perk up its ears in regard to the policy suggestion of experts. These experts proceeded to manufacture their China policies after some market research on the global and Asian-Pacific strategic balance, as well as on the economic interests of the United States.

In the mid-1980s, US diplomatic community and China affairs experts reexplored the triangular relationship among the United States, the Soviet Union and China. The various schools of thought agreed that from the US standpoint, the heyday of the strategic triangle was in the early 1970s when the United States had better relations with both China and the USSR than either had with the other. Playing both sides of the fence, the United States had gained the most political benefits. However, this "swing" position once held by the United States was not likely to re-emerge. The "strategic triangle" has changed greatly.

Under such circumstances the United States had to readjust its strategy in order to regain its favourable position. Some people were suspicious of the strategic triangle concept. Winston Lord, US ambassador to China, noted that the "strategic triangle" was a catchy phrase but not particularly illuminating. In his eyes, it was but one of many intersecting patterns that comprised a complex balance of power. The Reagan administration's policy towards China then has been a throwback to that of the Nixon and early Carter administrations. The Reagan administration attempted to maintain a balance between the US relations with the Soviet Union and those with China at large. Between China and the noncommunist countries of Asia, the Reagan administration has given greater consideration to the latter.

The comparatively realist policy towards China during the autumn of the Reagan administration has sometimes caused disputes. For example, in September 1987, when the Dalai Lama visited the American Congress, the Senate passed a resolution demanding that the government link the high-tech transfer to China with an appeal to the Chinese Government for "improving human

rights in Tibet." The US State Department dealt a rebuttal pointing out that the US had no business sticking its nose into China's domestic affairs and that the situation in Tibet was getting better. But the rabble-rousers did not desist, some accused the government of holding "double standards" in regard to human rights: condemning the Soviet Union while letting China off the hook. From this it is evident that America is fraught with difficulties and obstacles when efforts are made to implement a consistent realist policy towards China.

Today, a balance between idealism and realism surely has been established in theory as the basic principle of US diplomacy. In practice, however, US diplomacy is a teeter-totter's ride between the two views. History has seen interactions among following factors influence the trends of US diplomacy:

1. The waxing and waning of the US power position in the world's political structure. Today's US leaders consider their country a rung above the Soviet Union in terms of power and political confidence. So ideological standards will most likely be reasserted in future dealings with socialist and third world countries.

2. The tug-of-wars for diplomatic power between the president's administrative departments and the US Congress. In general, realistic diplomacy is uppermost in the minds of officials in administrative departments, such as those of State and Defence, and among international affairs experts. Idealism finds a better market in the Congress and among a considerable slice of the media. These two groups also have a voice in the government's policy-making and enforcement decisions.

3. The meanderings of party background and of each president's personal ideologies.

4. The domestic footprints of political thought in the United States. General odds are that the conservative trend of thought surely will carry its current advantage into the post-Reagan years.

Whether realism or idealism, both are capable of producing some negative effects on the US China policy. Realistic negativity has two possible forms of expression. On the one hand, a balance-of-power play can set relations out of joint. This may occur when the United States makes a high estimate of its own and its allies' strength and gives a low estimate to the potency of the Soviet Union and its allies. Under such conditions, US policy-makers are apt to neglect China's international position and role, figuring that China's strategic and economic hungers for what the US can provide are greater than the crumbs China could give the US. On the other hand, when the US strength is comparatively weakened, it may attempt to draw China into its own game of global strategy, that is "play the China card." These two conditions have both appeared since the detente in Sino-US relations. In the foreseeable future, especially if Soviet-US relations continue to improve, the former is more plausible.

The negative role of idealism is more obvious. Idealism, out of necessity, accentuates the two countries' differences in social system and ideology and raises questions about the US need to further relations with China because China is still a "communist state." It also measures China's internal policies according to the, political morality of the United States and even boosts interference in China's internal affairs.

However, more and more Americans have recognized that a healthy development of Sino-US relations not only conforms to US long-term interests, but also is an ideal objective worthy of being pursued.

**Secretary of State-Designate Baker Profiled**  
*HK2501155189 Beijing SHIJIE ZHISHI*  
*in Chinese No 24, 16 Dec 88 pp 22-23*

[Article by Tong Wen (0681 2429) and Hui Xin (5610 7451): "James Baker III—'Political Wizard' of the United States"]

[Text] Assisting the man in the saddle, he reversed the declining trend of Bush's election campaign; ruling the country and handling administrative affairs, Baker will have a difficult task in aiding Bush in exercising power.

Once the winds and clouds of the election campaign have cleared, personnel selection and cabinet organization by the President-elect routinely becomes the focus of discussion in public opinion circles. Baker, who made a vital contribution to Bush's successful election campaign, has been named secretary of state in the new administration. The appointment was expected. Nevertheless, Bush announced the appointment only hours after he was elected president. Such a rapid appointment has rarely been seen in American history. From this it can be seen how deeply Bush trusts Baker.

#### **Man in Charge of Bush's Election Campaign**

Speaking of the relationship between Bush and Baker, we must go back to their early lives. Baker was born in Texas on 28 April 1930. His father was a very rich and powerful lawyer. Bush himself also came from a wealthy family. The two families lived side-by-side in the wealthy residential area of Levogas [li fu ao ke si 6849 1715 1159 0344 2448] in Houston, and Bush and Baker have known each other since they were boys. They shared common interests, and were often seen playing tennis on the court of a local country club. Soon, Bush went north to study at Yale University. Baker went to Princeton University. Both were members of the Ivy League of famous eastern universities. Baker graduated from university and, after 2 years' service in the U.S. Marine Corps, studied law at Texas University Law School, his mind made up to succeed to his father's business. For the following 20 years Baker, firmly observing his grandfather's precept to "stay far away from politics," had his mind totally concentrated on his work as a lawyer.



In 1970 Baker was emotionally disturbed because of his former wife's death from illness. Bush persuaded Baker to cease mourning and urged him to go into politics, helping Bush himself run for Texas Senator. There then began an 18-year political partnership between the two. Although Bush was defeated by Bentsen in his campaign to represent Texas in the U.S. Senate, Baker secured 61 percent of the votes for Bush in Harris County. This was the first time Baker showed his edge. In 1975, recommended by Bush, Baker for the first time entered official Washington circles, becoming under secretary of commerce in the Ford administration.

Baker, in the many times he assisted election campaigns, showed his ingenious political strategy and brilliant organizational ability. Baker helped Ford in 1976, and Bush in 1980, with election campaigns against Reagan. When he saw that Reagan was holding the winning ticket, he quickly persuaded Bush to withdraw from the campaign. This gained Reagan's appreciation, who asked Baker to help run his campaign. Reagan defeated Carter to take over the White House, and Baker became Reagan's White House chief of staff.

In this year's general election, from the primaries to the Republican convention in New Orleans, Bush was the underdog, at one time lagging as much as 17 percentage points behind Dukakis in opinion polls. At this critical juncture, Bush asked Baker to step in to stem the losing tide, entrusting him with the job of heading his election team. While the Democrats were mocking Bush at the Democratic convention in Atlanta, Baker was, together with Bush, at a nice quiet place in Wyoming, "fishing." They were, in fact, discussing privately plans for the election. From then on, under Baker's sophisticated direction, Bush's election image was considerably recast. And Bush finally won the election overwhelmingly.

It should be clear that the political careers of Bush and Baker are interwoven. Without Bush's opening the political door, and his high regard, Baker would never have been the "political wizard" he is now in contemporary American political circles. And without Baker's full support, Bush might never have climbed to the presidential throne.

#### **A Brilliant Financial Expert**

Baker is not only good at election strategy, he is also a veteran administrator in state affairs. He was once under secretary of commerce in Ford's cabinet and secretary of the treasury in Reagan's second presidential term. He made important contributions to issues such as the budget, banking, and trade, and played a key role in pushing for tax reform, which people regarded highly. Baker is especially adept at handling international economic affairs. To lower the U.S. dollar exchange rate and the trade deficit, he coordinated, successfully, with financial ministers of Western countries on economic policies, stabilizing the western foreign exchange rate

system. He worked vigorously to promote negotiations on a U.S.-Canada free trade accord. He also paid great attention to trade relations with the Pacific region.

Baker has close relations with the Treasury's Brady, whom Bush has retained, and Darman, named by Bush head of the Office of Management and Budget. The three share moderate and pragmatic policy viewpoints. Baker will extend his influence on domestic and foreign economic policies through Brady and Darman. The three may form a "policymaking core group" under the leadership of Bush—a "troika," as it has been called by some people in American political circles.

#### **A Firm Pragmatist**

Baker is versed in the art of "practicing what is practicable." The targets he strives for are always realistic. He is never after the high and far and so the impractical. He is seen as a "firm pragmatist," adept at making rapid and bold decisions on the basis of current political realities. One of his friends remarked that if Baker can get 75 percent of what he is after, he will do it. For this trait, he has been commended by some people, but is not trusted by republican conservatives, who accuse him of lacking a clear ideological belief, solving problems for its own sake.

Baker is also praised as a "master negotiator." His negotiating skill has won respect from many in Washington circles. He is calm in the face of problems, good at bypassing minefields, and is a strong negotiator to deal with. His one-time aide, now under secretary of state, Williamson, described him as "a master chessplayer, who can anticipate four moves ahead."

Baker showed his talent in handling relations of all kinds as chief-of-staff in the White House, earning positive remarks from all sides. He won quite a few legislation victories for Reagan in negotiating and dealing with Congress. He also has a way with the press, often leaking to them, in a careless manner, inside information. There is also his disarming humor. He can therefore maintain amiable relations with the press. Most journalists are willing to make favorable comments on him.

Baker lacks practical experience in diplomatic affairs, and there are still many things for him to learn. But people who know him say Baker is a fast learner, and that "as far as giving due weight and assigning priorities to various targets is concerned, he is a real strategist." Secretary of State Shultz commended Bush highly for designating Baker as the new secretary of state, considering Baker "familiar with diplomatic problems, and that he will receive the trust of leaders of all countries."

Baker takes up the important office of secretary of state at a time when the world is undergoing radical change and U.S. international status is facing a change of direction. He is faced with serious challenges, and will come up against various thorny issues. Baker played a

decisive role in Bush's taking over the White House. But helping Bush run America promises to be a far more difficult job than running the election.

**'Roundup' Reviews Oliver North's Case**  
HK2501134089 Beijing RENMIN RIBAO  
in Chinese 18 Jan 89 p 6

["Roundup" by RENMIN RIBAO Reporter Cang Lide (0221 4539 1795): "The 'North Case' Remains Unsettled"]

[Text] Washington, 16 Jan (XINHUA)—The U.S. federal special judge in the "Iran-contra" case is to open court to put Oliver North, the key figure of the scandal, on trial. As two charges against Oliver North involve "national security" and subpoena ad testificandum of the U.S. President and vice president in office, conflict surfaced between the White House and North's defense attorney. Consequently, the North case, which was phasing out, has once again become a popular topic of the American public and public opinion.

Through several testimonial hearings at the Congress, and 14-month close investigation of the case by the federal grand jury, it was determined that Oliver North was to face 14 charges, including making false statements to Congress, obstruction of justice by shredding documents, and illegally accepting traveller's checks in terms of \$4,300. The two main criminal charges against Oliver North were conspiracy and theft. These two charges accused Oliver North of illegally diverting more than \$14 million to the Nicaraguan contras. The Federal attorney general would indict North for those charges, unless President Reagan would personally issue a mandate to giving North amnesty.

However, North pleaded not guilty on those two charges. At the testimonial hearings, he presented his views vehemently, believing all that he had done was out of "patriotism" in conformity with U.S. interests, and claimed that White House documents and the president could prove that he was innocent. North's defense attorney thus required subpoena ad testificandum of President Reagan and Vice President Bush, and presentation of relevant secret documents kept in the White House. Federal Judge Gerhard Gesell insisted that a "fair trial" for North required more disclosures of documents supplied by the White House in the original texts without any alteration.

Reagan stated that he would not issue such a mandate of amnesty to North, but agreed to answer "reasonable questions" in written form when he learned about the situation toward the end of last year. Later, Bush made a similar statement. The White House and the Department of Justice firmly opposed the subpoena ad testificandum of the president in office, on the grounds that such practice was "unprecedented in history," and would involve major legal and constitutional problems, because the law stipulates that "the President in office

should not give testimony at any justice court." The White House also made it clear that presenting secret documents as required by the attorney would endanger the lives of foreign leaders involved, and sabotage U.S. "national security and foreign relations."

In view of the inaccessibility of evidence necessary to indict Oliver North, the independent counsel Walsh had to propose dismissal of the two main charges against North on 5 January, but was refused by the U.S. District Judge Gerhard Gesell. Gesell held that the Department of Justice's attorney general should provide sufficient grounds that the exposure of secret evidences would jeopardize national security, otherwise Walsh's action of independent indictment would be restricted.

Based on the result in the consultations with six senior officials including the CIA director, the Department of Justice's Attorney General Richard Thornburgh determined on 12 January that the secret evidences could not be made public. Later, they made a proposal to Walsh, along with a letter of oath. On the following day, the U.S. District Judge Gerhard Gesell announced that the two main charges against Oliver North were dropped. He added that, however, it was not because of insufficient evidence that the two main charges were dropped, but a stipulation in the federal law, namely, the attorney general has the final say in a dispute on whether the government's secret documents can be exposed to the public, and the justice court "can do nothing about it." Then, the Department of Justice stated that, the subpoena ad testificandum of the President and the vice president would be unnecessary.

According to relevant stipulation in U.S. penal code, the Federal Special Court is capable of passing a sentence of 60-year imprisonment and a fine of \$3 million on Oliver North based on the other 12 charges. Even so, it seems that the two main charges against Oliver North will end up with nothing definite. A WASHINGTON POST editorial has pointed out that, such a trial characterized by keeping silent about major charges while admitting minor ones does not help in any way to resolve the puzzle of the "Iran-contra" case. Some personalities hold that, although the United States implements "balance of power," the dismissal of the two main charges against Oliver North means that "self-protection" can be achieved on the grounds of keeping secret when senior administrative officials violate the penal code. The Democratic leader Mitchell in the Senate of the U.S. Congress stated that the Senate would continue to investigate this case regarding such issues as keeping or writing off secrets involving criminal cases; if necessary, the formulation of a new law on this issue will be taken into consideration.

### Soviet Union

#### Condolences Sent Regarding Tajikistan Earthquake

##### Li Peng Telegram

OW2601120589 Beijing in Russian to the USSR  
1900 GMT 25 Jan 89

[Text] On 24 January Li Peng, premier of the PRC State Council, sent a telegram to Ryzhkov, chairman of the USSR Council of Ministers, and expressed deep condo-



lences to those who suffered from the earthquake in Soviet Tajikistan.

The telegram said: In connection with the strong earthquake in Soviet Tajikistan, which inflicted material and human losses, we express deep condolences to the USSR government and the Soviet people. We wish to pass our sincere condolences to relatives and family members of those who perished in the regions which suffered from the earthquake.

#### Red Cross Message

OW2501233889 Beijing in Russian to the USSR  
1900 GMT 24 Jan 89

[Text] The Chinese Red Cross Society sent a telegram on 24 January to the Union of Red Cross and Red Crescent Societies of the Soviet Union expressing sincere condolences to the victims of the strong earthquake in Soviet Tajikistan.

The telegram says: We are deeply convinced that under the leadership of the Soviet Government, the people of the region who are suffering from the earthquake will invariably overcome the difficulties caused by this natural calamity and will rebuild their homes.

#### Expert on New Type of Relations With USSR

HK2601044389 Beijing ZHONGGUO XINWEN  
SHE in Chinese 0957 GMT 25 Jan 89

[Report by reporter Li Chun (2621 2504): "Expert Says China, Soviet Union Establish New Type of Relations"—ZHONGGUO XINWEN SHE Headline]

[Text] Beijing, 25 Jan (ZHONGGUO XINWEN SHE)—Xu Kui, an experienced expert on Soviet problems, in a special interview with this reporter, said that under the current international situation it will be impossible for Sino-Soviet relations to return to the alliance of the 50's after normalization of relations between the PRC and the Soviet Union. Neither will relations match the antagonism which appeared after the 60's. Sino-Soviet relations will be a new type built on the five principles of peaceful coexistence.

Xu Kui is director of the Chinese Academy of Social Sciences' Institute of Soviet and East Europe. The institute is universally known for its authoritativeness and achievements in Soviet and East European studies. When recalling the development of Sino-Soviet relations, Xu Kui said that the Sino-Soviet alliance in the 50's was created under special historical conditions. There were certain contradictions and unstable factors behind the alliance, which was described as "solid as a rock" at that time. These contradictions and unstable factors led to the severance of Sino-Soviet relations. The strained and antagonistic relations between the PRC and the Soviet Union after the 60's was mainly due to the disrespect of the basic principles of international relations, which are the five principles of peaceful coexistence. Xu quoted Deng Xiaoping as saying

that "there is no reason for Sino-Soviet relations not to be improved." Under the current international situation which shows a positive trend from antagonism to dialogue, and from strained relations to detente, it would be against the world trend if Sino-Soviet relations continued to be strained. However, it is impossible and unnecessary for them to return to the alliance relations of the 50's. The only wise choice is to develop a new type of friendly and good-neighborly relations on the basis of the five principles of peaceful coexistence in order to maintain a continuous and stable relationship between the two countries.

Xu Kui also said that both countries are presently carrying out reforms, and working for the development of their domestic economies and the raising of their people's living standards. Under new historical conditions, and after normalization of Sino-Soviet relations, the major content of their relations will be to expand their economic ties and cooperation on the basis of equality and mutual benefits. There will also be open, broad opportunities for exchanges and cooperation in the aspects of cultural education and science and technology.

Xu Kui also pointed out that both countries are facing some common problems both structurally and in the implementation of reforms, though there are great differences between the situation in the PRC and the Soviet Union. After normalization of relations, the two countries will be able to expand exchanges, and learn, consult, and draw on each others' experiences in respect of ideological theories and practical experiences. This will facilitate the promotion of reforms in both countries.

#### Mao's First USSR Visit Recalled

##### Part 1

OW2601043489 Beijing Domestic Service in Mandarin  
0530 GMT 16 Jan 89

[Announcer-read "Special Feature" of an article by Qu Zhe, Mao Zedong's interpreter on Mao's first visit to the USSR: "Comrade Mao Zedong's First Visit to the Soviet Union"—from the "China's Diplomacy in Past 40 Years" segment of the "International News and Current Events" program; part 1 of 3]

[Text] After the founding of the PRC, Comrade Mao Zedong visited the Soviet Union twice. His first trip took place at the end of 1949.

Anastas Ivanovich Mikoyan, member of the CPSU Central Committee Politburo, was sent by Joseph Stalin to pay a special visit to Mao Zedong and the CCP Central Committee Secretariat from 31 January to (??) February 1949. Shortly afterwards, Comrade Liu Shaoqi led a CPC Central Committee delegation to visit the Soviet Union from 2 July through the end of August 1949 and held many talks with Stalin to clarify a number of issues in preparation for Chairman Mao's visit.

The PRC was founded on 1 October 1949. As soon as the central people's government was set up Chairman Mao began preparing for his visit to the Soviet Union. Stalin's 70th birthday fell on 21 December 1949. Heading a delegation of the CPC Central Committee and the PRC Government, on 6 December Chairman Mao went to the Soviet Union to attend the birthday celebrations, pay a visit, and carry out several political tasks.

Before the delegation set off from Beijing, the CPC Central Committee Political Bureau decided that, after attending Stalin's birthday celebrations, Chairman Mao was to take some time off in the Soviet Union. Zhou Enlai was to go later to negotiate treaties with the Soviet Union.

During this trip, Chairman Mao exchanged views with Stalin on issues of mutual concern to both parties and, after some negotiation, signed related protocols and agreements.

The delegation brought some very interesting gifts on this trip, such as tea, porcelain, Hunan embroidery, green onions, Chinese cabbage, and radishes from Shandong. Among the gifts, two pieces of Hunan embroidery were of special significance. One of them was a full-length embroidered portrayal of Stalin, and the other was a hand-written inscription by Chairman Mao which read: May you live a life as long as the southern mountains remain.

Among the numerous gifts for Stalin's birthday from countries and fraternal parties all over the world, China's gifts were displayed in a prominent place in the first room.

Chairman Mao and his party departed from Beijing by train on 6 December and transferred at Manzhouli Train Station on 9 December to the Soviet train used exclusively by the Soviet leader. The Soviets held a [words indistinct] welcoming ceremony at the first train station after the train crossed over the border. On the train ride Chairman Mao spent most of his time reading in the dining car and occasionally looked at the scenery along the way.

When the train arrived at (Shinsidilsk) Station, (Tuldatov), a Soviet Ministry of Foreign Affairs department head, called to inquire about Chairman Mao's trip and health and see if he could be of any service. We replied that everything was fine, and thanked him. As the train approached Moscow Comrade (Wang Jiaxiang), Chinese ambassador to the Soviet Union, got on the train to meet and ride with us all the way to Moscow.

On 16 December the train slowly pulled up at the north station in Moscow as the station's clock struck noon. At the station to greet Chairman Mao were Vycheslav Mikhaylovich Molotov, deputy chairman of the USSR Council of Ministers; Marshal Nikolay Aleksandrovich Bulganin; Minister of Foreign Economic Relations (Minsakov); Andrey Andreevich Gromyko, vice minister of foreign affairs; and Lieutenant General (Gimimov), commander of the Moscow Garrison Command. The

cold weather at the time necessitated a simple welcoming ceremony. After a quick review of the honor guard, we were whisked away by car to a place on the outskirts of Moscow where Stalin had stayed during the war of self-defense and where we were now going to stay. Stalin was then living in (Konchewo).

Molotov suggested that Chairman Mao get a good rest before he met Stalin in the Kremlin at 2200 that night. After some rest, security agents took Chairman Mao to Stalin's secretariat in the Kremlin. We arrived there 3 minutes ahead of the scheduled time. Secretary General (Baostile Basev) asked Chairman Mao to wait while he went in to inform Stalin of Mao's arrival.

At 2200 sharp the doors to Stalin's office were opened for us. We were greeted by Stalin, followed by Molotov, Georgiy Maksimilianovich Malenkov, Lavrentiy Pavlovich Beriia, Bulganin, (Kazamovich), and Andrey Yanuaryevich Vyshinskiy in a line. Stalin came up and gripped Chairman Mao's hand with both of his hands. After a long, close look at Chairman Mao, he said: You are still very young and healthy. With that, he turned around and introduced Molotov and the rest to Chairman Mao.

Gathered around in the room, we greeted and talked to each other. All excited, Stalin praised Chairman Mao over and over again: Great! Really great! Your contributions to China are really great! You are a good son of China! We hope you are well and strong forever.

Chairman Mao replied: I have long been attacked and pushed out. I have had nowhere to turn....

Before he could finish, Stalin cut in, saying: Winners allow no accusations. Victory is everything. It is common practice that winners accept no accusations.

Then we all sat down. The Soviets seated themselves on one side, and Chairman Mao and I were on the other side, with Stalin sitting at the head of a central table.

As the talks began, Stalin again inquired about Chairman Mao's health and asked him to take good care of himself. He said: The victory of China's revolution will inevitably tilt the balance of the world. The international revolution will be boosted by that. With all our hearts and souls, we wish you victory. We hope that you will achieve more and greater victories.

Stalin then asked: It is not an easy thing for you to come all the way here. What do you suggest we do?

Chairman Mao replied: I would like to accomplish something on this trip. It must be delightful to the eye and agreeable to the taste.



I knew that a literal translation of his words would make no sense to the Soviets, so I paraphrased a little, saying: Delightful to the eye means the thing has a pretty form and looks splendid, and agreeable to the taste means it has substance and flavor.

The Soviet comrades, however, could not understand. Beriia even yelled out loud in frustration.

Stalin, calm and cool, continued to sound him out. Chairman Mao then said that he planned to send Zhou Enlai to Moscow. Still not grasping what he meant by that, Stalin asked: If we do not know exactly what we want to accomplish, what is the purpose of sending Zhou Enlai here?

Chairman Mao gave no further answers. Later, eager to find out Mao Zedong's intentions, Stalin called him on the phone three times. However, Mao Zedong told him each time to wait for Zhou Enlai's arrival.

## Part 2

OW2601060089 Beijing Domestic Service in Mandarin  
0530 GMT 17 Jan 89

[Announcer-read "Special Feature" of an article by Qu Zhe, Mao Zedong's interpreter on Mao's first visit to the USSR: "Comrade Mao Zedong's First Visit to the Soviet Union"—from the "China's Diplomacy in Past 40 Years" segment of the "International News and Current Events" program; part 2 of 3]

[Text] On Stalin's 70th birthday on 21 December, a grand celebration was held at the Moscow theater. Attending the celebration were all high-ranking Soviet officials. Stalin and leading representatives of various fraternal parties were seated on the rostrum. Mao Zedong was seated close to Stalin. I was interpreting next to Chairman Mao. Chairman Mao's congratulatory speech was drafted by (Fei Delin). The congratulatory speech, which highly appraised Stalin's contributions to the construction of socialist Soviet Union and the international communist movement, was warmly received. In the course of the ceremony Stalin leaned over many times to talk to Mao Zedong. After the ceremony a banquet was held in Chairman Mao's honor. At the end of the banquet Swan Lake was played. Stalin and Mao Zedong sat in the same box. When the curtain was brought down, the whole audience turned round and hailed Stalin and Mao Zedong. Chairman Mao raised his hands in greeting to the crowd and cried out: Long live Stalin; glory to Stalin. The whole place was ringing with the sound of hurrahs, cheering, and applause for a long time.

During Chairman Mao's stay in Moscow the Soviet host arranged for Mao Zedong's entertainment with dozens of biographical films on Soviet and European historical figures. During a meeting between Chairman Mao and Stalin, Stalin told me that Mao Zedong was very smart to

spend his spare time watching biographical films, since this was the most simple and direct way of learning history. I relayed his words to Chairman Mao.

There was a period following Stalin's birthday celebrations when Chairman Mao's activities in the Soviet Union were seldom reported. A British newspaper [passage indistinct] reported that the Sino-Soviet Friendship Treaty was being drawn up. The news aroused a strong reaction from the public. All of a sudden the political atmosphere was (?buoyed).

After learning the exact date on which Premier Zhou and his company would set out from Beijing, Chairman Mao visited Leningrad. Leading cadres there gave Chairman Mao a grand welcoming ceremony at the station and invited him to rest at the (Simorni) Palace. But Chairman Mao requested to go first to Baltic seaside. In compliance with Chairman Mao's wishes, the car headed directly for (Dongnan) Bay on the Baltic Sea. The ocean and land were linked by solid ice measuring about 1 to 1.5 meters thick. Chairman Mao got out of the car to walk on the ice. Looking into the distance, he saw the Kronshtadt fortress where workers and soldiers rioted during the October Revolution. The amazed Chairman Mao said: [words indistinct]. Later he said his wish was to set foot on all parts of the Soviet Union, from Vladivostok on the west coast of the Pacific to the Baltic Sea on the east coast of the Pacific, and from the Black Sea to the North Pole. Soviet comrades were elated to hear this and were greatly moved by Chairman Mao's ardent aspiration and broadmindedness.

Chairman Mao returned to Moscow to meet Premier Zhou. On the 2d day after Chairman Mao arrived in Moscow, Premier Zhou, as expected, called from (Sinsipiersk). However, because of poor connections, they decided to exchange phone calls at (Siverdelosk). This time they talked for more than an hour. They talked about their activities and what they wished to do and exchanged views. With a general idea of what to do, Premier Zhou put himself to work immediately upon his arrival in Moscow. Accompanying Premier Zhou were (Li Fuchun), vice chairman of the people's government of northeast China; (Wu Xiuquan), director of the Foreign Ministry's Department of Soviet Union and East European Affairs; and staff members of the delegation. At first Premier Zhou lived at a villa far away from Chairman Mao's residence, which was inconvenient. Therefore, Premier Zhou moved in to a room on the second floor of Chairman Mao's residence.

Premier Zhou had a hectic work schedule. [sentence indistinct] He had to go to the Kremlin in the downtown area to negotiate the signing of the treaty. He also had to go where his staff, led by Comrade (Li Fuchun) stayed, and give instructions on their work. In order to take care of Premier Zhou's life, the delegation, with Premier Zhou's consent, had (Sun Mengshi), who was returning from Europe to China by way of Moscow, stay in Moscow.

It was during that period that Stalin phoned Mao Zedong directly three times. The first two calls were answered by me as I translated the words of Chairman Mao, who was speaking beside the phone. When the third call was made, I was away at the Kremlin assisting Premier Zhou. This time the call was answered by (Sun Mengshi), but the conversation was not very clear. Therefore, Stalin summoned me from the meeting to his office and requested me to translate his words to Chairman Mao. What Stalin said during the phone conversation was still mainly asking what Chairman Mao's plans and wishes were. Chairman Mao replied: Personally I think everything is fine with me. It is Premier Zhou who does not think this way. Isn't he speaking with you at the Kremlin right now? I translated the words to Stalin, who then said nothing more. This incident indicated once again that Stalin had wanted Mao Zedong and himself to jointly sign the Chinese-Soviet treaty.

The most fruitful Sino-Soviet talks dealt with the drawing up a few agreements concerning Xinjiang. These agreements concerned, for instance, exploitation of oil, nonferrous metals, and rare metals; the turn over to China of a large amount of weapons the Soviet Union had stored in the Xinjiang border area; and other issues. The Chinese delegation attending the talks included Mao Zedong and Zhou Enlai. On the Soviet side was Molotov, Bulganin, (Malintov), and (Bailya). (Sai Fujing) later came to Moscow to sign these agreements.

While the delegation members were drafting the treaty and various agreements, Chairman Mao and Premier Zhou called on Stalin at the Kremlin. During the meeting, in addition to issues of mutual interest, Stalin talked about a new subject. He said: China's revolution went through a very tough period, and rich experiences must have been accumulated in the process. To sum up China's experiences in revolution, he suggested, Mao Zedong should compile and publish the articles, essays, and documents he has written. Chairman Mao said he had thought about this, too, but he needed some help carrying out this task. Therefore, he asked Stalin to send a comrade well educated in theory to help him work on the task. Stalin complied immediately and said he could send Comrade (Yujin) to China if (Yujin) agreed. (Yujin) later came to China and took part in the editing of the *Selected Works of Mao Zedong, Volumes 1 and 2*. (Fei Delin) and I were responsible for immediately translating the works into Russian during the editing process. Two philosophic articles—"On Practice" and "On Contradictions"—were singled out from the works and translated into Russian in advance. They were also the first part of the works sent to Stalin. After Stalin read the articles they were published by the USSR's Bolshevik magazine.

### Part Three

OW2601121889 Beijing Domestic Service in Mandarin  
0530 GMT 23 Jan 89

[Announcer-read "Special Feature" of an article by Qu Zhe, Mao Zedong's interpreter on Mao's first visit to the USSR: "Comrade Mao Zedong's First Visit to the Soviet Union"—from the "China's Diplomacy in Past 40 Years" segment of the "International News and Current Events" program; part 3 of 3]

[Text] The treaty between China and the Soviet Union

was originally entitled the Treaty of Friendship and Alliance Between China and the Soviet Union. Premier Zhou Enlai later suggested that the words mutual assistance and cooperation be added to the title. Therefore, the treaty was finally entitled the Treaty of Friendship, Alliance, and Mutual Assistance Between China and the Soviet Union.

The signing ceremony was held in the Kremlin on 14 February. Soviet Foreign Minister Vyshinskiy and Premier and Foreign Minister Zhou Enlai signed the treaty on behalf of the Soviet Union and China. According to Stalin's original plan, the treaty and trade agreements would be simultaneously signed. However, the trade agreements were not available for signing at the ceremony because they had to be revised and corrected as a result of mistakes committed by Soviet personnel. When Stalin questioned why they were not available, his subordinates, to my surprise, said: The Chinese version is not available. Stalin asked me to interpret this to Chairman Mao. Chairman Mao said to me: Basically, the Chinese should be responsible for all mistakes. This was a very clever answer. Smelling something wrong, Stalin repeatedly asked me what Mao Zedong had said. I said: These are [words indistinct] words. Upon this, he stopped asking me.

Stalin stood by Mao Zedong at the signing ceremony. He was a little bit shorter than Chairman Mao. However, trying to make him look as tall as Mao Zedong in photographs, he moved a step forward when photographs were taken.

After the signing ceremony Stalin hosted a banquet at which he said to Mao Zedong: I heard that you would like me to attend your farewell party. Usually, I don't attend such an event; not even one! However, after learning your wish, our Politburo held a special discussion and decided that I will attend your farewell party. In reply, Chairman Mao said: We welcome you to attend this party. However, if you can not hold out because of health conditions, you may leave the party before it ends. Stalin said: No, I will stay if I attend the party. I will hold out to the end.

We returned to our dwelling place after 1200. Ambassador (Wang Jiaxiang) immediately began preparations and arrangements for the farewell party.

Near the Kremlin was a big hotel, whose first floor was completely rented by the Chinese Embassy. Guests came one after another on 14 February at 1800. They included high-ranking Soviet cadres, eminent people, and diplomatic envoys to the Soviet Union, totalling some 500 people. However, they didn't know that Stalin would attend the party. Chairman Mao and Premier Zhou both waited at the gate until Stalin arrived. Stalin was soon seen leading all members of the Politburo of the CPSU Central Committee. After shaking hands and exchanging greetings with each other, Chairman Mao and Stalin went toward the lobby. At this moment, many guests,



especially diplomatic envoys, were so astonished that they could not believe in their eyes. This was partly because they didn't expect Stalin to appear, and partly because many of them had never seen Stalin so close!

A tumult suddenly occurred in the main hall, followed by a burst of applause, which didn't stop until Chairman Mao, Stalin, and others passed the lobby, went into the dining room, and took their respective seats.

The banquet hall was divided into two rooms—a large and a small one—with a glass wall. Chairman Mao, Premier Zhou, (Wang Jiaxiang), Stalin, and members of the CPSU Central Committee Politburo stayed in the small room, while the other guests were in the large room. When it was time to deliver speeches, people in the large room all rushed to the small room because the soundproof glass door made them unable to clearly hear the speeches. The glass door was almost broken because so many people were pushed toward it. Seeing this condition, Premier Zhou immediately asked workers to dismantle the movable wall to combine the two rooms into a large one. As a result, the people calmed down, and the banquet resumed.

(Fei Delin) interpreted for Premier Zhou, while I interpreted for Stalin. Premier Zhou had permitted (Fei Delin) to read the manuscript of his speech, which had been translated into Russian and was held by (Fei Delin). Premier Zhou was not seen holding the manuscript when speaking. However, his speech with about 2,000 characters was completely identical to the original manuscript. The main content of his speech was: Sino-Soviet friendship should continue for generations to come. Fraternal unity between the two parties and between China and the Soviet Union will contribute the most to the world revolution. Thanks should be given to the Soviet Union for its selfless assistance. Premier Zhou's speech encouraged the people and won warm applause from the listeners.

Stalin then delivered a speech in a relaxed manner. He said: Sino-Soviet friendship, unity, and fraternal feelings must be kept. This is what workers of various countries hope for. This has been mentioned by Zhou Enlai and is also my intention. The socialist camp should also be united as mentioned by Zhou Enlai. He added: Unity is might.

At the party, Chairman Mao toasted the health of Stalin as well as lasting Sino-Soviet friendship. Stalin also toasted the health of Mao Zedong and Zhou Enlai. The party didn't end until midnight.

The Chinese delegation prepared to leave for home. Before leaving, Premier Zhou personally gave a gift to each of the attendants of Chairman Mao's dwelling place. Those serving Chairman Mao and the Chinese delegation were attendants of Stalin and the Kremlin.

On 17 February, when the delegation left Moscow for home, all the attendants, with tears in their eyes, went to see it off. When talking about this scene with me, the

colonel serving as Chairman Mao's guard said: Those attendants are all loyal and reliable youths with special training. They feel that Chairman Mao is more kind, amiable, and easy in manner than Stalin. An old woman in charge of food hygiene said: Chairman Mao can best understand, and show consideration and concern for, them. He not only pays attention to cleanliness and hygiene, but also doesn't waste electric power as well. In addition, he often cleans up his dwelling place, and behaves himself. They feel quite touched by this, and have affection for him.

Molotov first went to Mao Zedong's dwelling place and saw him get into a car. He then rushed to the railway station to wait for and say goodbye to Mao Zedong. The railway carriage was crowded with Chinese and Soviet security guards. Molotov wanted to have a word with Mao Zedong. It took me quite a time to force my way to them.

Molotov told Chairman Mao: You must take care of yourself, no matter whether on the way home or at home. This is what Stalin has repeatedly asked me to tell you. You must also pay close attention to security and must never be careless in this regard. This is parting advice. He then shook hands with Mao Zedong and got off the train.

Comrade Hu Zhiming was among those travelling with us. Chairman Mao, Premier Zhou, and Hu Zhiming were respectively seated in separate carriages. (Lavlun-jiev), Soviet deputy foreign minister, who was responsible for seeing the Chinese delegation off, as well as Soviet security guards and workers, accompanied the delegation all the way to the Manzhouli Railway Station.

After getting off the train Chairman Mao shook hands with each of the Soviet escort personnel, and told Chinese personnel to treat the guests well.

This is what I know about Chairman Mao's first USSR visit.

#### Yu Zhan on Mao's Visit

OW2501022389 Beijing Domestic Service  
in Mandarin 0530 GMT 24 Jan 89

[Special Feature "China's Diplomacy in the Past 40 Years" from the "International News and Current Events" program]

[Text] In the past several days we have aired Comrade Qu Zhe's article recollecting Chairman Mao Zedong's first Soviet Union visit. Dear listeners, if you listened to that program, you will now have a general idea about that trip. Starting today, we would like to present, in two parts, a related article, written by Comrade Yu Zhan, focusing on how China and the Soviet Union concluded their bilateral Treaty of Friendship, Alliance, and Mutual Assistance. The title of the article is "Chairman Mao's Visit to the Soviet Union and the Conclusion of the Sino-Soviet Treaty of Friendship, Alliance, and Mutual Assistance." Here is the first part:

Comrade Mao Zedong, chairman of the CPC Central Committee and president of the PRC central people's government, from late 1949 to early 1950 visited the world's first socialist country—the Soviet Union—and met with Comrade Joseph Stalin, general secretary of the CPSU Central Committee and chairman of the USSR Council of Ministers. On this trip Chairman Mao was to accomplish three tasks: 1) to congratulate Stalin on his 70th birthday; 2) to sign a new Sino-Soviet Treaty of Friendship, Alliance, and Mutual Assistance to replace the old Sino-Soviet Treaty of Friendship and Alliance, in a bid to legalize the new friendly and cooperative relations between the two great socialist countries established on a new foundation; and 3) to take a look at socialist construction in the Soviet Union and obtain some perceptual knowledge about the country. The main goal in the 3 months of his visit, however, was to negotiate and draw up a new Sino-Soviet friendship treaty.

This Soviet Union trip by Chairman Mao was his first major diplomatic move since the birth of New China, the first overseas trip by the head of the PRC, and the first meeting between the two great leaders of the international communist movement. Therefore, it was of great significance and drew the attention of the whole world.

Nearly 10,000 km apart, it would take about 3 days to fly from Beijing to Moscow in those days. It was a severe winter, and high winds and snowstorms dominated. Sometimes, the weather was so bad that aircraft could not take off nor land, and were grounded. It was, therefore, safer and more reliable to travel by train. Chairman Mao rode the train to Moscow on this trip.

Chairman Mao traveled light with a small entourage and departed Beijing on 6 December 1949. After 11 days of train travel, he arrived in Moscow on 16 December at noon, as the bell in the Kremlin struck 12. He traveled in the Soviet Union for 2 months and 1 day. And, on 17 February he left Moscow for home with Premier Zhou Enlai, who had arrived in the Soviet Union later.

Counting the time spent on the road, the trip lasted about 3 months. It was very rare in modern world history for a head of state to spend such a long time visiting another country. The trip came only 66 days after the birth of New China. The liberation war was still going on, the country was in its infancy, and full-scale reconstruction was yet to begin. With numerous affairs of state to tend to every day, Chairman Mao still managed to avail himself of this much time for the trip, a clear indication of how seriously our party and government took this journey.

As is known to all, New China came into being at the early stage of the cold war in the wake of World War II. The two major camps were diametrically opposed to each other. Our victory was not solid yet. Faced with both the threat and embargo from the United States and the herculean task of reconstructing the poverty-stricken, backward, shattered country, China needed to ally itself

with such a socialist country as the Soviet Union. On the other hand, the Soviet Union welcomed as their friend a big country like China which had set itself on the path of socialism. Therefore, it was proper to say that the chief achievement of this trip—the conclusion of the Sino-Soviet Treaty of Friendship, Alliance, and Mutual Assistance—was dictated by the historical conditions of the time.

With the signing of the new Sino-Soviet Treaty of Friendship, Alliance, and Mutual Assistance, both sides declared invalid the Sino-Soviet Treaty of Friendship and Alliance signed in 1945 by the Kuomintang regime and the Soviet Union.

The 1945 treaty was an outgrowth of the Yalta Treaty. Signed on 11 February 1945, the Yalta Treaty was reached between the United States, the Soviet Union, and the United Kingdom, without the knowledge of, and detrimental to the rights and interests of, China. On 14 August 1945, prior to the surrender of Japan, the Kuomintang Government, under the dual pressure of the United States and the Soviet Union, accepted the Yalta Treaty and hastily signed the treaty of friendship and alliance with the Soviet Union. Such a treaty, unquestionably, should be abrogated as soon as possible once New China was founded.

However, the conclusion of the new Sino-Soviet Treaty of Friendship, Alliance, and Mutual Assistance was not without a hitch. As early as July 1949, when Comrade Liu Shaoqi visited the Soviet Union, he brought up the matter in meeting with Comrade Stalin. China had devised a three-way approach—rescind, revise, or replace—to handling the old Sino-Soviet Treaty of Friendship and Alliance. Comrade Liu asked which the Soviet Union would prefer. This issue was easy to tackle, answered Comrade Stalin, adding "Let us wait until Chairman Mao Zedong comes here." Unfortunately, when Chairman Mao did arrive, the subject turned out to be not so simple.

On the day he arrived in Moscow, Chairman Mao had his first meeting with Stalin at 10 p.m., lasting 2 hours. The talk impressed Chairman Mao as being sincere. Discussion on four of the five topics brought up during the talks went smoothly. Yet, differences broke out when the talk switched to the issue of the Sino-Soviet Treaty of Friendship and Alliance, an "easy" topic, or so perceived previously. Fortunately, both sides, keeping unity in mind and after several twists and turns, managed to reach an agreement in principle on 2 January 1950 that they would draw up a new treaty to replace the old one. From then on, the talks were able to proceed in a relatively smooth manner.

Premier and Foreign Minister Zhou Enlai and his party arrived in Moscow on 20 January to take part in negotiation of the Sino-Soviet Treaty of Friendship, Alliance, and Mutual Assistance, as well as other agreements. Prior to his trip, a conference of the Government



Administration Council and a meeting of Beijing-based (?members of the Government Administration Council) were separately held and briefed on the tasks of the trip and proposals for the talks; consensus was obtained at both meetings.

On their way to Moscow, Premier Zhou announced to his party Chairman Mao's eight-character guideline—no careless word, no careless move. This was because Chairman Mao did not want the talks, which had just begun to make some progress, to be disrupted by anyone's imprudent action.

Chairman Mao, Premier Zhou, (Wang Jiaxiang), (Li Fuchun), and (Shi Zhe) held talks on 22 January with Stalin, Molotov, Mikoyan, Vyshinskiy, and Rosen, with Stalin and Mao Zedong as chief negotiators. In this talk, both sides cleared up various fundamental issues and decided the procedures to carry out the tasks. Premier Zhou, Wang Jiaxiang, and Li Fuchun discussed a number of specific matters with Mikoyan, Vyshinskiy, and Rosen on 23 January.

On 24 January, the Chinese, in compliance with the principles fixed by Chairman Mao and Stalin, drew up a draft Sino-Soviet Treaty of Friendship, Alliance, and Mutual Assistance and presented it to Vyshinskiy. A copy of the draft was also sent to the PRC central people's government for examination and approval. The Soviets expressed their satisfaction at the draft treaty, saying they did not expect that it could be done so well, and accepted it with very little modification.

On 25 January, the Chinese again drew up a draft agreement concerning Lushun, Dalian, and the Zhong-changlu Railway. Thereafter, China drew up several other draft documents. Various negotiations went smoothly as well. However, the agreements on commerce and aviation were more complicated and could not be settled immediately.

As Chairman Mao and Premier Zhou had stayed abroad for quite some time by now, with the approval of the Soviet side, it was then decided that treaties and documents already concluded should be signed first and that Comrades Li Fuchun and (Liu Yaro) would stay to carry on negotiations with the Soviet side on those unfinished ones.

Dear listeners, we have to stop here for today. Please tune in on 30 January at the same time for the last part of Comrade Yu Zhan's article "Chairman Mao's Visit to the Soviet Union and the Conclusion of the Sino-Soviet Treaty of Friendship, Alliance, and Mutual Assistance."

**Xinjiang Border Trade With USSR Doubled**  
*HK2601104389 Beijing CEI Database in English*  
26 Jan 89

[Text] Urumqi (CEI)—The volume of trade between Xinjiang Uygur Autonomous Region and the border areas of the Soviet Union in 1988 reached 47.53 million Swiss francs, marking a 110 percent increase over the previous year.

Xinjiang's export shot up by 148 percent, hitting 24.34 million Swiss francs, while import went up 80 percent reaching 23.18 million Swiss francs. The variety of imported commodities increased from 17 to 40, while that of export from 11 to 39.

According to sources from the Xinjiang Regional Trade Company its trade partners in the Soviet Union have increased from one company to five republics, two border regions and one prefecture, and trading ports have increased from three to five.

Meanwhile, Xinjiang has enlarged its economic cooperation with the Soviet Union. In 1988 it signed 53 letters of intent with the Soviet partners to set up joint ventures and provide technical services. A number of contracts have been signed on the basis of these letters.

**Price Reform a Popular Topic in USSR**  
*HK2601050989 Beijing RENMIN RIBAO*  
in Chinese 20 Jan 89 p 7

[Article by Zhou Xiangguang (0719 6272 0342): "Price Reform—A Popular Topic of Discussion in the Soviet Union at Present"]

[Text] At the beginning of the New Year the CPSU Central Committee Political Bureau held a meeting. One of the topics for discussion was how to curb arbitrary price hikes. Due to the fact that commodities have been in short supply for a long time, to ease the contradiction between supply and demand, government authorities responsible for commodity prices have raised the prices of some good-quality and high-grade goods whose previous prices were comparatively low. However, some enterprises have arbitrarily forced up the prices of their commodities in the name of developing "new products." At the end of last year rumors were flying about that the prices of gasoline, building materials, and so on might also go up. This triggered panic purchasing. To set people's minds at rest, while denying rumors, the government made a decision on reducing the prices of some daily necessities by 10 to 30 percent starting from this year.

The Soviet Union's existing price system was set up during the period of practicing extensive economic management. It has now become a stumbling block to the current economic reform. At present production output value of enterprises which follow the new management system accounts for 60 percent of the total industrial output value. The new management system will be fully implemented in a year. Without reforming the price-creating mechanisms [jia ge xing cheng ji zhi 0116 2706 1748 2052 2623 0455], it will be difficult for enterprises to raise funds by relying on their own efforts, to assume sole responsibility for their own profits or losses, and to follow the system of complete economic accounting.

The state formed the existing price system in the past. During the past several decades, price-creating mechanisms and retail prices remained unchanged despite

changes in the economic field. Therefore, the prices of many products did not reflect socially necessary consumption in the process of production and marketing. During the past 30 years, average purchasing prices of agricultural products have increased by 360 percent. The purchasing price of beef has increased 10 fold, considerably higher than its retail price. The amount of money a peasant gets from selling 1 kilo of beef to the state can be used to buy 2.5 kilos of beef from a state-operated shop. Enterprises which are dealing with fuel and raw and processed materials have suffered from losses for a long time, because the prices of these products are too low. However, the prices of some products are too high. Obviously, this extremely irrational situation should be changed.

As early as June 1987 the CPSU Central Committee plenary session decided to "completely reform" the price system. Now the direction of price reform has been basically set. In other words, the number of products whose prices are fixed by the state in a unified way should be reduced. Enterprises' decisionmaking power for fixing prices should be expanded. Three kinds of prices existed in the Soviet Union—prices fixed by the state, contract prices (negotiated prices), and prices independently set by relevant enterprises. According to the government's initial plan, reform will be divided into three stages. First, in January 1990 wholesale price of industrial goods will be reformed. Second, in 1991 efforts will be made to reform budget prices in the building construction field, and purchasing price of agricultural products. Third, retail prices will be reformed, and allowances for agricultural and side-line products will be abolished. In the meantime, subsidies will be provided for consumers. However, because some people hold divergent views, specific plans for reform have not yet been promulgated. This shows that the Soviet leaders intend to act carefully and prudently.

The commodity prices problem will involve millions upon millions of households. In Soviet society, where commodity prices have remained unchanged for a long time, people have shown more concern for the problem. When and how should the reform be carried out? How should compensation be given to consumers? All these have become popular topics for discussion. People in the streets and lanes, Soviet meetings, newspapers, magazines, radio stations, TV stations, scholars, officials, and so on discuss these problems. The Soviet Government has adopted a prudent price reform policy. It will work out a plan after full and detailed discussions. The plan will be submitted to the whole people for discussion during the 1st half of this year.

People in the academic field in the Soviet Union are enthusiastically discussing the problem of price reform.

Officials of relevant departments and experts have also actively participated in the discussions. Although the majority of people maintain that the existing price system must be reformed, they hold divergent views on the way to carry out the reform and where to start it. Some of the

views are conflicting, and heated debates have been carried out. Some scholars favor the tentative plan of the State Price Commission, but some of them are against it. One of the points at issue is whether it is necessary to increase commodity prices, food prices in particular.

Those who oppose price increases maintain that it means protecting and subsidizing enterprises which are poorly run, and making a concession to bureaucracy. After price increases, allowances must be given to consumers. Increasing wages in general will inevitably boost production consumption and generate price hikes. Price hikes will stimulate wage increases. If this keeps going on in endless cycles, inflation will inevitably occur. Therefore, they maintain that reform should not start with the circulation field, and that main efforts should be devoted to increasing labor productivity and results in the production field. First of all, bureaucracy in production management should be overcome. According to business accounting made by some people, as long as efforts are made to reform the planning, management, supply and accounting system in agricultural departments, and to streamline the overstuffed industrial and agricultural departments of the state which have employed 4 million working personnel, commodity prices can be reduced rather than increased. They stress that normal prices are the result of healthy economic recovery.

Those who favor price increases maintain that without straightening out commodity prices, no marked results can be obtained in any reform of the management system. Just like bureaucracy, the existing price system is an important factor impeding reform. Since "consumption viewpoint" [xiao hao guan dian 3194 5088 6054 7820] has still played its role in the price system, enterprises are keen on increasing the prices of their products, but fail to pay attention to saving on raw and processed materials. At present it is difficult to carry out agricultural reform. It is impractical to rapidly increase production in 1 or 2 years. To ease the contradiction between supply and demand, there are two alternatives which can be adopted: supply based on coupons, or price increases based on changes in supply and demand, and production costs. Some of those who favor price increases have also maintained that at present since conditions for price reform do not yet exist, main efforts should be devoted to savings deposits, monetary and commercial reforms. It is obvious that such a kind of discussion will be deepened. At present, it is difficult to predict whether price reform can be carried out in January next year as scheduled.

### Southeast Asia & Pacific

**Sihanouk Reconfirms Absence From Jakarta Talks**  
OW2601121009 Tokyo KYODO in English 1141 GMT  
26 Jan 89

[Text] Beijing, Jan. 26 KYODO—Kampuchean resistance leader Prince Norodom Sihanouk reconfirmed he would not attend the Jakarta informal talks on Kampuchea, scheduled for the end of February, in an official statement Thursday.



Previous statements by the former Kampuchean head have predicted the failure of the Jakarta talks saying the conditions are not yet ripe for a political solution.

Thursday's statement also raised the possibility of the indefinite postponement of a proposed meeting in Paris in April or May among the leaders of the warring Kampuchean factions and the cancellation of a planned visit to Thailand next month.

The prince cited the renewed rejection of his recent five-point peace proposal by Kampuchean Premier Hun Sen during his visit to Bangkok as contributing to his pessimistic outlook.

Sihanouk leads one of the three allied resistance groups warring with the Vietnamese-backed Heng Samrin administration in Phnom Penh.

The prince's announcement contrasts with the flurry of diplomatic activity in recent weeks between parties concerned with the conflict.

Chinese and Vietnamese officials held the first discussions between the two nations in nine years on the Kampuchean conflict on January 16 and talks between Thailand and the Hanoi and Phnom Penh governments have accelerated the momentum for a solution.

The prince is expected to play a major role in any peacetime government to be formed after a solution to the conflict has been reached.

**Hun Sen's Thailand Visit Analyzed**  
OW2501135389 Beijing XINHUA in English  
1220 GMT 25 Jan 89

["News Analysis: Phnom Penh Regime's Premier Hun Sen's Visit to Thailand;" by Ling Dequan—XINHUA headline]

[Text] Hanoi, January 25 (XINHUA)—A high-ranking delegation of the Vietnamese-backed Phnom Penh regime led by its Premier and Foreign Minister Hun Sen left Phnom Penh on Tuesday morning to visit Thailand.

Vietnamese official newspapers did not say by what way and on what day Hun Sen will arrive in Thailand. Informed sources here said Hun Sen probably will fly to Bangkok or another city of Thailand by a special plane today or tomorrow.

Hun Sen was accompanied by Vice Premier and Defence Minister Tie Banh, Vice Premier Kong Sam-ol, First Deputy Foreign Minister Dith Munty and other junior officials.

Vietnamese official newspapers said "during his stay in Thailand, Hun Sen will exchange views with the Thai prime minister on the process of restoring peace in Kampuchea, the relations between the two sides, and regional issues of common concern."

Observers here said Thailand, as a neighbouring country of warring Kampuchea, has been playing a significant role in the process of searching for a comprehensive political solution to the ten-year Kampuchean conflict.

During the recent visit to Vietnam from January 9 to 12, Thai Foreign Minister Sitthi and his Vietnamese counterpart Nguyen Co Thach agreed that "the most desirable solution would be a comprehensive one involving the total withdrawal of foreign troops, the cessation of external aid and intervention and realization of national reconciliation among the Kampuchean parties, leading to a Kampuchea that is sovereign, independent, neutral and non-aligned, posing no threat to other neighbouring countries."

Diplomatic analysts here believed that as Hanoi and Phnom Penh have put forth a timetable of total withdrawal of Vietnamese troops from Kampuchea not later than next September in a framework of a political solution, "the external aspect" of the issue is approaching an agreement among all parties concerned. As for "the internal aspect" of the issue, there has been no development so far for Hanoi's refusal to discuss the aspect with other parties concerned.

Thai Foreign Minister Sitthi stressed on Monday in Bangkok that external and internal aspects of the Kampuchean problem should be settled simultaneously.

He reiterated that Thailand supports to establish a four-party coalition government headed by Prince Norodom Sihanouk.

Observers here believed that the current biggest difference among all parties concerned is in this aspect, namely to organize a four-party coalition government headed by Sihanouk in order to maintain durable peace and stability, instead of a civil war, in Kampuchea.

Diplomatic analysts here said the coming talks between Thai leaders and Hun Sen may be focussed on the political future of Kampuchea as well as the relations between the two sides.

They also speculated that it is not excluded that a "BIM" (Bangkok Informal Meeting) forum may occur soon.

They wait and see if the major diplomatic initiative conducted by the Thai Government will make a big breakthrough for the political settlement of the Kampuchean conflict.



Before his departure, Hun Sen also told correspondents that he is ready to discuss with the U.S. Administration the MIA issue. He added that Bangkok could be chosen as venue for discussion of this matter.

A U.S. spokesman told foreign reporters at Noi Bai Airport near Hanoi on Monday that there are 73 U.S. servicemen missing in action during the Indochina war. He said the U.S. Administration has not made contact with the Phnom Penh regime to resolve this matter because the U.S. does not recognize the foreign installed government.

Hanoi has been conducting "remains diplomacy" with the United States. Signs show that the scope of the "remains diplomacy" will be expanded to Kampuchea, if the U.S. Government accepts Hun Sen's proposal on MIA.

Observers here believed that the real purpose of Hun Sen's proposal is aimed at "enhancing the international prestige of the People's Republic of Kampuchea" (the name of the Phnom Penh regime) as a spokesman of the Vietnamese Foreign Ministry had said.

#### **Qin Jiwei Remarks on Cambodia in Thailand**

HK2501145089 Beijing XINHUA

Hong Kong Service in Chinese 0813 GMT 25 Jan 89

[Report by Huang Yong (7806 0516): "Qin Jiwei Hopes Vietnam Will Withdraw Troops From Cambodia As Soon As Possible"—XINHUA headline]

[Text] Bangkok, 24 Jan (XINHUA)—Visiting State Councillor and Defense Minister General Qin Jiwei said tonight: "It is hoped that the Vietnamese authorities will, in conformity with historical trends, earnestly implement the resolutions adopted at various UN General Assemblies by withdrawing troops from Cambodia as soon as possible."

Qin Jiwei said this at the official welcoming banquet Thai Prime Minister and Defense Minister Chatchai Chunhawan held in his honor. He said: "Both China and Thailand are concerned about the development of world and regional situations." "Now, the overall international climate, which is characterized by trends toward relaxation, has provided conditions for the political settlement of the Cambodian issue." He added: "China is willing to join Thailand, ASEAN, other countries, and the international community in making further positive efforts to achieve the settling of the Cambodian issue in a fair and sensible [gong zheng he li 0361 2973 0678 3810] way at an early date."

In his speech Qin Jiwei reiterated China's consistent position that "under no circumstances will it seek hegemony or try to establish spheres of influence." He said: "The Chinese people are wholeheartedly seeking modernization and they urgently need an international situation that will remain peaceful for a long time." "We pursue a peaceful foreign policy of independence and keeping the

initiative in our own hands and unswervingly develop friendship and cooperation with other countries on the basis of the five principles of peaceful coexistence." He stressed: "We attach special importance to developing a long-term stable friendship and good-neighborly relations with our neighbors, including Thailand. This is our firm and unambiguous national policy. It will never change." In his speech, he spoke highly of the close and friendly Sino-Thai relations, which are based on the five principles of peaceful coexistence, and expressed his belief that so long as they make joint efforts, "Sino-Thai friendship, which has a long history and a solid foundation, will continue to develop."

Chatchai delivered a passionate [re qing yang yi 3583 1906 3152 3300] speech at the banquet. He spoke highly of the close and profound friendship between China and Thailand, describing it as having "left a deep impression on the minds of their peoples." He said: "Thailand and China share many similarities in the areas of culture, art, and social customs. This is the reason why the friendship and friendly relations between the two governments and their peoples are particularly close." He continued: "The relations between the governments of the two countries have rapidly developed in the new period." "The relations between Thailand and China are unadulterated. They are not only not harmful to other countries, but will promote peace and stability in Southeast Asia and in the world." He expressed his belief that the friendly relations between Thailand and China are ever-lasting!

#### **Near East & South Asia**

#### **Yang Shangkun, Li Peng Greet Indian National Day**

BK2601033889 Beijing in Hindi to India  
1500 GMT 24 Jan 89

[Text] Chinese President Yang Shangkun and Premier Li Peng have sent messages of felicitation to Indian President Ramaswamy Venkataraman and Prime Minister Mr Rajiv Gandhi respectively on the 39th [as received] anniversary of the founding of the Indian Republic on 26 January.

President Yang Shangkun's message of felicitation expresses confidence that through common efforts by both China and India, relations between the two countries and traditional friendships between their people will be further developed. The message expresses good wishes that the Indian people continue to achieve new successes in their task of national economic development and national construction.

In his message Premier Li Peng said that Indian Prime Minister Mr Rajiv Gandhi's recent official, friendly visit to China will have a positive impact on further improving relations between the two countries and increasing mutual understanding between the people of the two countries. He expressed the sincere hope that Sino-Indian relations will continue to improve and develop in

the future on the basis of the five principles of peaceful coexistence. This will prove beneficial not only for India and China, but for peace in Asia and the world.

**Indian President Notes New Phase in Relations**  
*OW2601090589 Beijing XINHUA in English*  
0246 GMT 26 Jan 89

[Text] New Delhi, January 25 (XINHUA)—Indian President R. Venkataraman said here tonight that Prime Minister Rajiv Gandhi's visit to China in December last year marked a new phase in relations between the two countries.

"It has opened prospects for the normalization of our relationship with China, which will be a major contribution to peace and cooperation in Asia and the world," he said.

In a broadcast message to the nation on the eve of India's 40th Republic Day, he reiterated that his country would continue its effort to improve relations with its neighboring countries.

About Pakistan, the president said the dialogue with the newly elected government of Pakistan opened up the prospects of an improved relationship between the two countries.

"India will make all possible efforts to promote speedy normalization of relations with Pakistan," he said.

Regarding Sri Lanka, the president said there has been continued progress in the implementation of the Indo-Sri Lanka agreement signed in Colombo in 1987 and expressed India's desire to work closely with the government of Sri Lanka for further improving the relations.

On domestic issues, the president strongly condemned "the continuing killings of innocent persons in Punjab."

On the country's economic situation, Venkataraman said "Indian economy has shown remarkable strength and resilience to withstand several adversities including the recent severe drought of 1987".

There has been a remarkable recovery in 1988 and agricultural production is expected to recover fully from the severe affects of the drought and 1989 is expected to show a record production of food grains and oilseeds, he said.

### Sub-Saharan Africa

#### Visiting Malian President Meets With Leaders

**Talks With Zhao Ziyang**  
*HK2601134889 Beijing ZHONGGUO XINWEN*  
*SHE in Chinese 1250 GMT 26 Jan 89*

["Zhao Ziyang Says Hastiness Is the Essential Reason for the Mistakes China Made on Many Occasions in Development"—ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 26 Jan (ZHONGGUO XINWEN SHE)—What is the main reason for the development mistakes China made on many occasions? Zhao Ziyang, general

secretary of the CPC Central Committee, said today that the Chinese people easily get an attack of hastiness.

Zhao Ziyang spent more than an hour this afternoon giving Moussa Traore, Malian president and executive chairman of OAU, an account of China's reform.

Zhao said that China's reform over the decade has brought rapid development in various fields. However, we have encountered some problems, manifested mainly in price hikes and inflation. The main reasons include: First, rapid growth and development on too large a scale; and second, the out of control situation encountered during the substitution of a new system for the old one, namely, a transition from the overcentralized planned economy to a commodity market economy. Regarding China's plan to improve the economic environment and rectify economic order within 2 years, Zhao Ziyang said that after its development, this will be a temporary readjustment. China has reemphasized stressing agriculture, reducing the scope of construction, strengthening macrocontrol and readjustment, and establishing a new economic order for the sake of consolidating the achievements of the decade-long reform and readjusting the steps of reform. Zhao believed that these measures will benefit development in the future.

During the meeting Zhao Ziyang repeatedly stressed the principle China will remember in the future: Work hard and make long-term plans. This is because China is a developing country and developing industry and agriculture is China's long-term task. It will take half a century or longer to realize modernization.

Zhao Ziyang told Traore that China treasures its relations with Mali and Africa. He stated that attention will be given to ways of carrying out cooperation with Mali in various fields, and he expects that greater progress will be made in cooperation between the two sides.

After the meeting, Traore and his party left for Shanghai.

#### Confers With Li Peng

*OW2601131889 Beijing XINHUA in English*  
1254 GMT 26 Jan 89

[Text] Beijing, January 26 (XINHUA)—Chinese Premier Li Peng and visiting Malian President Moussa Traore expressed here today their determination to strengthen the friendship between China and Mali, as well as between China and the African countries in general.

Traore said that the friendship between African countries and China is a model for international cooperation.

On the co-management of Sino-Malian enterprises, he said that Mali is confident about the viability of such a form of cooperation. He added that he hoped this form would be perfected and adopted in other fields.

On behalf of the Malian people, government and party, Traore expressed thanks to the Chinese people on establishing friendship between China and Mali and bilateral fruitful cooperation.

Li Peng said that China is willing to develop its relations with Mali and other African countries. He praised Traore for his promotion of bilateral relations to a new level since coming to office.

"China is willing to further strengthen its friendly and cooperative relations with Mali," he said.

During the talks the two sides focused their discussion on the debt problems the African countries are now facing. Li Peng pointed out that the international debt question is no longer a simple one of relations between the debtor and creditor nations; it is a problem affecting the world economic order.

He said that at present there exists an unreasonable international economic order. The economic relations between the developing and developed countries are based on the exchange of unequal values, he said, adding that such an exchange has made the rich become richer and the poor become poorer. This has become a factor for instability. Therefore, the premier pointed out, the debt problem is also a serious political question.

Li said China maintains that problems should be solved through consultations between the debtor and creditor nations, and the creditors should "shoulder more responsibility and take more flexible measures" to solve the problems.

Such steps, Li continued, will be beneficial to both debtor and creditor nations. Some creditor nations interfere in debtor nations' internal affairs by taking advantage of the debt issue, Li said, adding that this should not be allowed.

Traore said the African countries had proposed the convening of an international meeting on African debt and integrating the debt question with African development.

Li said that as far as China is concerned, there will be no difficulty for convening such an international session. He hoped the African countries would make efforts to negotiate with the main creditor nations and arrange such meeting through consultations, provided the conditions are ripe.

Speaking of the international situation, both sides agreed that they were pleased to see the current trend of detente. Traore noted that there are good prospects for a solution to the Western Sahara issue. He noted that other conflicts in Africa are being settled and there are favorable prospects for peace.

Li said he was glad to see some hotspots in Africa are being eliminated. He attributed the settlement of the southern African and Western Sahara issues, now under

way, to the long-term efforts made by African governments and people, especially those of the Frontline countries, and to long-term mediation by the Organization of African Unity (OAU), of which Traore is the incumbent president, and the General Secretary of the United Nations.

He said China has always supported the Namibian people in their struggle for independence, and hopes that all parties concerned will hold further consultations on the concrete implementation of U.N. Security Council Resolution 435.

On the general international situation, Li noted that the easing of tension is mainly illustrated by the first step the two superpowers have taken in disarmament. Although the step is by no means a large one, it shows the way to the elimination of trouble spots, he added.

He pointed out this trend is beneficial to the developing countries, which are especially longing for peace.

Amid the trend of detente, Li went on, factors of instability still exist and vigilance should be maintained.

The meeting lasted one and half hours.

**Yang Shangkun Hosts Banquet**  
*OW2501155689 Beijing XINHUA in English*  
1452 GMT 25 Jan 89

[Text] Beijing, January 25 (XINHUA)—Chinese President Yang Shangkun said here today that Sino-African friendship has stood the test of time and no force could damage it.

"Sino-African cooperation is sure to be strengthened and developed," said Yang at a state banquet in honor of Malian President Moussa Traore, who arrived here this morning for a four-day official visit.

Traore said relations between China and Mali are "very good", while Africa and China have always maintained a relationship of mutual trust.

At the banquet in the Great Hall of the People this evening, Yang said the Chinese and African peoples are friends and brothers who trust each other and share weal and woe.

"For a long time," he said, "the Chinese and African peoples have supported, understood and sympathized with each other, despite changes in the international situation."

The president said the Chinese Government and people have always treasured their friendship with African countries and peoples. "The consolidation and strengthening of China's solidarity and cooperation with African countries is an important part of its foreign policy," he said.



Yang reiterated his country's support for African countries' unremitting efforts in safeguarding independence and state sovereignty. In addition, it supports their efforts to develop their national economies and cultures, as well as their just struggle against racism and to defend their legitimate rights and interests in international affairs.

In his speech, Yang thanked the African countries for their long-standing support for China.

He praised the Organization of African Unity (OAU) for its unremitting efforts and great achievements in realizing liberty on the African continent, consolidating national independence, developing national economies, and strengthening unity and cooperation among OAU member states.

The Chinese president said that not long ago Angola, Cuba and South Africa signed a peace agreement on southwest Africa, which is of great significance for the realization of peace in Angola and Namibia's independence.

He urged the South African authorities to go with the historical tide and abolish completely the system of racial segregation for the realization of peace and stability of the whole southern African region.

Yang spoke highly of the Malian Government and people, under the leadership of President Traore, who have made protracted efforts to safeguard domestic unity, develop their national economy, improve their livelihood, and defend the rights and interests of the Third World countries so as to promote African unity and progress.

Both China and Mali belong to the Third World and enjoy traditionally close relations. "China is willing to continue its efforts together with Mali to consolidate friendly relations between the two countries and expand cooperation in different fields," he said.

After conveying the friendly sentiments of the African people toward the Chinese people in his capacity as chairman of the OAU, Traore said that Africa is closely following the transformation China is achieving in its modernization efforts.

He said that Chinese people have won admiration and respect from the people of the African countries. "The Chinese people are bound to achieve a great victory in the course of their courageous reforms," he said.

Traore spoke highly of China's economic assistance to African countries. He said, "You have made tremendous sacrifices to help develop the young economies of the African countries." He very highly evaluated the opening of a new form of cooperation—managerial cooperation—between Mali and China. He described this as a "perfect embodiment of south-south cooperation", adding, "we are willing to enhance such cooperation on the basis of mutual benefit."

Traore pointed out that amid the difficult international situation marked by falling raw material prices, worsening trade conditions and heavy debt burdens, "south-south cooperation turns out to be the best choice for countries like us in seeking social and economic development".

He mentioned the extreme economic difficulties on the African continent. He said that the efforts made by the international community for solving Africa's economic problems are "not satisfactory".

Traore asserted that in seeking solutions to African economic problems, one must take into consideration the internal relations of all kinds of elements, such as liquidity of capital, price levels of primary products and foreign debt.

He cited the foreign debt of Africa as totalling 220 billion U.S. dollars last June. This debt, he said, has become "the major problem hindering the revitalization of the African countries" considering the small gross national product and low export income of African countries.

Traore said that while admitting that it is their duty to repay debts, African countries advocate finding a just solution to the debt problem in the overall strategy of promoting development and cooperation. It is to this end that African countries proposed an international conference, with the participants of both African and creditor nations, to explore a suitable way for reaching an agreement which safeguards the short-term and long-term interests of all sides.

Referring to the grave situation in southern Africa, Traore urged the international community to take "total mandatory sanctions" against Pretoria so as to restore peace to the region. The OAU will do all it can to create an atmosphere of peace, harmony and cooperation, he pledged.

Present on the occasion were Secretary of External Relations of the Malian People's Democratic Union Sekou Minandjou Traore, Minister of Foreign Affairs and International Cooperation Modibo Keita and Director of the Presidential Office N'golo Traore.

On the Chinese side, Vice-Chairman of the National People's Congress Standing Committee Seypidin Aze, Foreign Minister Qian Qichen and Minister of Forestry and Chairman of the Chinese Government reception committee Gao Dezhan also attended the banquet.

Prior to the banquet, Yang Shangkun held a welcoming ceremony in honor of President Traore and his entourage in the Great Hall of the People. The two leaders then held talks there.

**Article Views African Student Incident in Nanjing**  
*OW2601004889 Beijing BEIJING REVIEW*  
*in English 23-29 Jan 89 pp 4-5*

[Article by Xia Zhi: "Campus Incident in Nanjing"]

[Text] The conflict which occurred a few weeks ago between students from Africa and staff at a Nanjing university has aroused widespread attention around the world. In fact, this was a completely accidental event, without any of the political meaning given to it by certain parts of the Western media.

The whole course of the incident unfolded as follows:

On the evening of December 24, 1988, two students from Africa brought two young Chinese women to Nanjing's Hehai University for a dance party. According to the school's regulations, any visitors to the university must register in the janitor's room.

When the entrance guard asked the two girls to register, the two African students refused to let them do so. At that point, several other African students came over and started a quarrel with the entrance guard. In the ensuing brawl, 11 staff members were injured, one of them seriously, including a university vice-president who had one of his ribs broken when he tried to persuade the combatants to stop fighting. A few African students were slightly injured.

In order to restore peace and order as rapidly as possible, the Nanjing public security authorities promptly adopted all the requisite measures. Now, foreign students in Nanjing have resumed classes and are preparing for their termly examinations.

Following the incident, many people expressed anxiety, hoping that the case could be quickly and properly dealt with. But others with ulterior motives have attempted to stir up further trouble, spreading malicious rumours and striving to undermine the profound and long-standing friendship between the Chinese and African peoples.

Some Western news media has given particularly distorted reports on the incident. The Voice of America went as far as to claim that the Chinese authorities had imposed new restrictions on African students' social activities and that an African student could have only one Chinese girlfriend with the approval of the Chinese authorities. Other news media has reported that the Chinese police beat foreign students, stripped them naked, and hit their reproductive organs with electric batons. Overall, one theme predominated: viewing the event as racial discrimination.

None of them, however, said anything about the discrimination against black people, minorities and immigrants that has long existed in their own countries. They ignored the fact that the Chinese people also suffered from the discrimination and oppression of foreign colonialism for a

long period of time. As is known to all, the Chinese people have long stood for equality of all nationalities and resolutely opposed racial segregation and discrimination. However, according to the logic behind some distorted press reports, any dispute between local inhabitants and foreigners would be an incidence of racism.

A few Western newspapers have made much of how these trouble-makers will be handled by the law. As a matter of fact, it is normal that foreigners, wherever they come from, will be held legally liable if they break the law in their country of residence. In China, all law-breakers, whether Chinese or from abroad, can expect to be punished according to the statutes of Chinese law.

Some people worry that the incident, after being distorted and exaggerated by parts of the Western media, will affect the friendly relations between the Chinese and African peoples. Such fears are unfounded as the affair was above all an isolated incident caused by a disagreement between a few foreign students and staff at a Chinese college.

Displomats of many African countries have assured that this even will not affect the friendly relations of cooperation between China and Africa. Ide Oumarou, secretary-general of the Organization of African Unity, said China is a partner of Africa. The recent student incident should not hamper the cooperation between China and Africa which is being conducted in many fields. Cameroon's Radiodiffusion du Cameroun said in a commentary, "quarrels between children should not be made to affect the relations between parents." An African diplomat in Beijing said the African people regard China as a special friend, a friend who frequently and constantly gives what it has. He also appealed to African students to abide by Chinese laws and school rules and persuaded them not to believe the distorted reports of some foreign news agencies.

After the incident, while feeling indignant about the Western media's exaggerated distortions, many Chinese criticized the wrong doings of a few Chinese students and the inappropriate slogans they raised. They suggested strengthening education in internationalism among the young people. They also denounced the illegal actions of three Chinese who took the chance to stir up trouble and joint the fight and asked the judicial organs to punish them by law. Many said that the Chinese and African peoples are brothers and friends.

The long-standing friendship between China and Africa will definitely not be weakened by this incident, nor by the provocation and distortion of some Western news organs.

### West Europe

**Cooperation Contract Signed With Northern Ireland**  
*HK2501144789 Beijing CEI Database in English*  
*25 Jan 89*

[Text] Tianjin (CEI)—Tianjin Council for the promotion of International Trade recently signed a cooperation agreement with the Industrial Development Bureau of Northern Ireland.

According to the agreement, the two sides will jointly seek trade partners in Northern Ireland who are interested in making investment, selling goods and transferring technology in Tainjin and other areas of China. They will also provide services for compensation trade, processing with supplied materials and assembling with supplied parts.

Northern Ireland has a long history of textile and electronic industries. It welcomes China's investment.

**Economic Cooperation Agreement Signed With Spain**  
*OW2501230289 Beijing XINHUA Domestic Service  
in Chinese 1158 GMT 22 Jan 89*

["Local Broadcast News Service"]

[Text] Beijing, 22 Jan (XINHUA)—China and Spain recently signed a principle agreement on economic and financial cooperation between the two countries. According to the agreement, Spain will provide \$450 million from 1989 to 1991 to finance the export to China of labor force and capital goods needed for projects built by Spain in China.

### Latin America & Caribbean

**Antimony Agreement With Bolivia Signed**  
*OW2501230489 Beijing XINHUA Domestic Service  
in Chinese 1158 GMT 22 Jan 89*

["Local Broadcast News Service"]

[Text] Beijing, 22 Jan (XINHUA)—After friendly consultations, China and Bolivia signed an antimony producers agreement on 9 January in La Paz, the Bolivian capital, for the purpose of stabilizing the international market of antimony products. China and Bolivia are two major antimony producers and exporters. The combined antimony exports of the two countries account for more than 50 percent of the total antimony trade volume of the world. In recent years, due to the effects of the world economic situation and lack of coordination among antimony producing countries, prices of antimony products in the international market have continued to weaken.



**Article Views 'River Dies Young' TV Series**  
*OW2601063189 Beijing BEIJING REVIEW in English*  
23-29 Jan 89 pp 19-24

[Staff reporter Zhang Wei's report on TV series "The River Dies Young"]

[Text] The Huanghe (Yellow) River has long nurtured the Chinese nation. It has always been extolled by the Chinese people as the source of their national pride. Recently, however, a major television series declared it was time to sing its elegy. Taking the Huanghe River as its backcloth, *The River Dies Young* recalls China's past to compare it with the present, before ultimately condemning our ancient civilization.

After being shown by China Central Television (CCTV) last June, the series evoked controversy and debate across the country. Many people have praised it, but it has also been fiercely criticized. Its directors and writers have received several thousand letters; critical articles offering divergent views have been published in national newspapers and university students in Beijing and Nanjing have held seminars to discuss the programme. The debates, however, have all centred on a single theme: How to approach and view China's traditional culture.

#### Chinese Culture

*The River Dies Young* takes its title from a tragic poem written by Qu Yuan, one of China's famous ancient poets. It was selected by the directors and writers to reflect the idea, that the Huanghe River civilization, once held in awe, has fully run to seed: Serious rejuvenation is necessary. The series' principal writer, Su Xiaokang, said the overall purpose of producing *The River Dies Young* was to offer a profound consideration of the history, civilization and fate of the Chinese nation.

Composed of six parts, the series was clearly divided into two halves. The first three parts, trace the origin of the Huanghe River and the rises and falls of Chinese civilization in the Huanghe River valley. The first part contains an exemplary tale that reflects both the themes and imagery that will recur throughout *The River Dies Young*.

For a short period in 1987, "drifting" down China's major rivers in lightweight boats became something of a minor national craze. On June 13, however, two craft belonging to the Luoyang and Beijing drifting teams capsized in the lower reaches of the Lajia Gorge and two young people were drowned in the torrents of the Huanghe River. It was reported that the two men had made their bid for fame in a reckless attempt to accomplish the venture before an American.

The programme poses the question whether these drifters died in the Huanghe River demonstrating a brave patriotic spirit or blind nationalistic fervour.

Leaving the question unanswered, it then turns to probe the impact the Huanghe River has had in forming the civilization of the Chinese nation. Rising at the foot of the Baiyankala Mountains in Qinghai Province, it flows east across the Loess Plateau where it takes on its yellow, muddy hue.

Parallels have long been drawn with the colour of the Huanghe's waters: It has nurtured the yellow-skinned people, and they in turn have named their earliest ancestor the Yellow Emperor. Today, one in five of the world's population is a descendent of the Emperor.

The yellow water, the yellow land and the yellow race—together they appear to constitute a mysterious and natural bond. Indeed, people have believed that their skin has been dyed yellow by the Huanghe river.

The river, however, is merely one of several symbols dissected in *The River Dies Young*. Another national emblem subjected to scrutiny is the dragon: Why did the ancient Chinese worship this fierce monster? Originally, it was regarded as the tyrant of nature—the counterpart to the emperor who was the tyrant of the world. The distinction became blurred when the emperor adopted the dragon as his symbol to set himself above the people.

The origin of the awe in which the dragon was held have their roots in the fact that China has long been principally an agricultural country, and for agriculture water is the lifeblood. The Dragon King was the god of rain, and so was both loved and feared by the nation, simultaneously praised when it brought life and cursed when it denied it. The image of the dragon in popular culture is thus both contradictory and complex.

In the second part of the series, titled *Fate*, the role of the emperor as the ancestor of the Chinese nation and the embodiment of the loess land is scrutinized. Again yellow emerges as the dominant colour: People, born and raised on the loess land eat yellow rice and soybeans; they live in the cave dwellings scraped from beneath the loess hills and drink yellow muddy water. When an ancient emperor ascended to the throne, he would be draped with an imperial yellow robe, walk on a yellow pavement and live in a palace adorned with yellow glazed glass tiles. No other nation in the world has worshipped their land so devotedly as the ancestors of the Chinese, and this land worship, according to the script writers, was a major factor in shaping the nation's isolationism and its timidity in creative endeavours.

In exploring the impact of the geographical environment on the culture of the Chinese nation, the narrative emphasized the physical borders that bound the Huanghe River: To the north lies the Gobi Desert; to the northwest is another vast expanse of yellow sand; in the southwest stands the Qinghai-Tibet Plateau, the largest and most precipitous plateau in the world; and in the east it faces the Pacific Ocean. In ancient times, these

were all impassable barriers. The Huanghe River valley was not simply the centre of Chinese culture, but was an isolated centre. It may have nurtured stability, but it also engendered introversion.

The series severely criticized various historical objects and historical figures long revered by the Chinese people. For instance, the Great Wall, first built in the Qin Dynasty (221-207 BC), and reconstructed in the Ming Dynasty (1388-1644), is held up as a monument to isolation. People are proud of the only manmade project which can be seen by the astronauts from the moon, but should they allege that it embodies China's prosperity? The commentary goes on to say that the Great Wall is no longer a representation of power and glory, but a symbol of conservatism, isolation and incompetent defence, timidity and weakness.

As for Qi Jiguang, a military general, responsible for constructing a long moat in Penglai, Shandong Province, during the Ming Dynasty to resist the Japanese pirates, the commentary first asks why were the Japanese able to cross the sea to attack China while the Chinese people could only stand watch on the coast and not even consider travelling to this island country? Why did European states embark on aggressive ventures while China merely erected and extended its Great Wall to the coastal areas? Our ancestors could never move beyond their land and agriculture. Despite their strange imagination, their most bold action was to build the Great Wall.

In *The River Dies Young*, the 15th century is singled out as a key century for the whole of mankind. It was then that people started to shift their attention from the continents to the seas and oceans. The Pacific, the Atlantic, and the Indian Ocean opened their chests to all nations. But China remained landbound, passing over this opportunity to reverse its history of introversion.

In 1405, Zheng He led a powerful fleet westwards. This event has been praised time and again in Chinese history, but it means nothing to the makers of *The River Dies Young*, because in the history of mankind no similar venture has ever been pursued without an economic goal. They declare it a purely political parade aimed at bestowing favour on other countries. So even when the Chinese people travelled to the seas, they could not rid themselves of their landlocked ideology. History may have chosen the Chinese people, but the Chinese people could not choose the history.

It was only several decades later that four small ships representing the first steps of an expansionist capitalism sailed into the Indian Ocean. Europe had started its great geographical exploration.

China's old and weak agricultural civilization compelled our ancestors to defend the fruits they had harvested with the expensive Great Wall. Even if they had gone to the sea, they still knew little of trade and economic

competition. Decline had by then fully withered the life and creative power of the entire Chinese nation. In the opinion of the script writers, China should not ignore any further chances offered her by fate.

In the third part, China's tragedy is explored from cultural and scientific angles. A rapid survey of the Spring and Autumn Periods (440-476 BC) and the cultural and artistic prosperity of the Tang Dynasty (618-907), leads to the Song Dynasty (960-1279) when China's science and technology were in the van of the world. However, the Chinese people, who were the first in the world to launch small rockets, could not become the first to fly to the universe. Paper-making and printing technology, invented by the Chinese more than 1,000 years ago, did not bring about a wide dissemination of scientific knowledge in the country. Although Shen Kuo described the compass and magnetic declination in the 11th century, China never became a powerful maritime nation, Europeans, however, guided by the compass, forced their way to China. What was this force which first manifested itself in China only to subsequently be turned back upon its inventors?

Why did Chinese civilization, foremost in the world for 1,000 years, fade in the 17th century.

Ironically, it was the spark of Chinese science, technology and culture which helped the West usher in a new historical era, while sparks from overseas barely glimmered indistinctly in China.

A major reason for the backward nature of Chinese culture and science was that the ruling class never truly paid attention to either of them. According to the programme, this should serve as a warning for China now: Although Chinese intellectuals have enjoyed a higher social status in the 20th century than in the past, they are still poorly paid and denied the respect they deserve. Teachers in particular are held in so low regard that education in China is now in a state of crisis.

Over the first three parts of *The River Dies Young*, the message reiterated through solid historical data and vivid tableaux is that for several thousand years, the civilization of the Huanghe River has been pounded time and again by foreign aggressors, yet it still has not perished. Now, however, without employing force or war, foreign culture is taking root and China appears to be succumbing. Its ancient civilization can barely check this inroad of change.

What the Huanghe River had to offer it has already given to our ancestors. Our ancestors created civilization. For certain, the Huanghe River cannot nurture it once again. It is necessary for us to create a brand-new civilization, but one which cannot come from the Huanghe River. Like the silt deposited on the riverbed on the Huanghe River, China's ancient civilization has clogged the blood



vessels of the nation. To be washed away, it needs a huge flood has come: it is industrial civilization, and now it is calling us. [sentence as received]

#### Reform: Way Out

The theme that reform offers the only way forward for China runs throughout the third part of the series, and is reiterated in the fourth part, titled New Epoch.

"One prominent feature of China's economy since ancient times has been its ability to support a huge population," runs the commentary. "In 1800, when the Western powers were seizing territory for colonization, China's land was supporting one-third of the world's population. Some scholars do not agree that the failure of China's civilization to develop industry was 'failure of civilization.' Instead, they argue that such an idyllic, if low-level, agricultural civilization is worth appreciating in itself."

How has this agricultural civilization supported the Chinese? The series offers some examples: "In 1980, the average annual grain consumption per capita in a commune only 40 km from Lanzhou City was just 20 to 50 kg. Two-thirds of the peasants had no mats on their kang (brick beds) with just one worn-out cotton wadding for every three people. More than 60 percent of the local farmers had no cotton-padded coats to tide them through the winter.

"Because of drought and a reduction in wheat production in 1987, an old farmer in northern Shaanxi Province said he and his fellow villagers had to subsist on potatoes until the new crop was harvested. Despite living such a poor life all his life, he has still raised three sons and four daughters, and now has more than a dozen grandchildren."

The series points its finger at China's gigantic population as the largest of all China's difficult problems.

In the vast backward rural areas, Chinese farmers have little incentive to go into business, they are vulnerable to natural disasters, and are prone to relying on others and resigning themselves to their fate. The drop in quality of China's population mirrors exactly its explosive expansion. An agricultural civilization perpetuates this vicious circle. For no reason should we appreciate and cling to it.

Likewise, various errors of policy during and after the late 1950s led to the social turmoil in 1966-76, which again can be explained as the inevitable result of an agricultural civilization.

After noting that the national output value per capita in China remains at the lowest level, the series comments that if the gap between China and the developed countries continues to grow at the current rate, in 50 or 60 years time, the situation that existed during the Opium

Wars will reappear—foreigners armed with sophisticated weapons while the Chinese have only broadswords and spears. No wonder some people are alarmed: If we don't do a good job now, we may effectively be expelled from global membership.

In 1978, China set out to reform its economic structure and open its doors to the outside world. For the makers of *The River Dies Young*, this although only marks a beginning, if China adheres to this programme, it may regain the vigour of its youth. However, the road of reform is beset with difficulties. The fifth part, set against a backdrop of a flood on the Huanghe River, vividly exposes the social problems facing China: the ever present feudal ideas of Confucianism, the threat of autocratic rule through bureaucratism, and the incomplete nature of its democratic and legal systems.

Fortunately, the narration continues, the country has economic reform; reform of the political system has also begun. No matter what kind of resistance and dangers may be encountered, to advance is the only way forward.

The sixth and concluding part, titled *Azure*, further expands on the advantages and disadvantages of China's in land or agricultural civilization and the West's ocean or industrial civilization. The lessons and experiences of history and their relevance to modern China are summed up. Then the point is made: Although the inland culture can be modernized, absorbing science and technology, and even launching satellites and exploding nuclear bombs, the vitality of civilization cannot be fundamentally injected into the whole nation: "Only when the azure sea wind turns into rain water, can the enormous Loess Plateau regain its vitality."

As the series draws to a close, Huanghe is evoked for the final time: "The river will eventually run into the azure sea; at the great but painful entrance, it is dashed by turbulent waves. The Huanghe culture must eliminate its fear of the sea and draw from the undaunted will and impulse of the plateau. The life of water comes from the sea, which ultimately it must rejoin."

#### Discussion and Debate

Following the screening of *The River Dies Young*, commentaries appraising the series appeared in China's major newspapers—RENMIN RIBAO (PEOPLE'S DAILY), GUANGMING RIBAO (GUANGMING DAILY) and WENHUI BAO (WENHUI DAILY). Shortly after, CCTV, RENMIN RIBAO, NEW OBSERVER and the Beijing branch of the China Television Workers' Association jointly invited more than 30 arts critics and theoretical commentators to discuss the "The River Dies Young phenomenon" and the construction of television culture.

The participants all agreed that the documentary viewed China's history from an entirely new angle and with a whole new series of concepts. They further agreed that its



major significance lay not in its popularization of historical knowledge, but in providing necessary information and views that would enlighten the masses and encourage them to participate in political matters. In pointing out that feudal culture remains a massive obstacle to socialist modernization, they noted that cultural criticism of the past aids today's cultural regeneration. The form and style of the programme also came in for praise: Not only did the series capture the mind, it was also pleasing to the eye.

One viewer wrote, "From an unprecedentedly high vantage point and with a boldness of vision, *The River Dies Young* reviews the long history of our nation. In presenting China's cultural legacy, it made us aware of the heavy burden of history we bear upon our shoulders, and the imperative demand of integrating China into the global community. It contains a penetrating analysis of the history of China's civilization and convincingly outlines the prospects for the revitalization of the Chinese nation."

A soldier echoed these views, "The River Dies Young is aimed at inspiring people to rely on their own efforts to make the country strong. It not only offers something new, but more importantly offers a series of profound thoughts that move beyond the confines of culture and tradition to generate ideological and political reverberations among the people."

A young person who works by the Huanghe River wrote, "This documentary will make every Chinese rethink profoundly. It will help the Chinese unload their heavy spiritual burden and extricate themselves from the contradiction between their pride in their nation's long history and civilization and their sense of inferiority stemming from China's current poor and backward status. It should encourage them to throw themselves into reform and construction."

Another viewer named Li Nan pointed out, "The fact that *The River Dies Young*, with its radical and sharp language and unorthodox standpoint can be screened by CCTV, the television station with the world's largest number of viewers, reveals that the psychological ability to accept new ideas has advanced to a higher stage in all sections of Chinese society, and in particular among the upper stratum."

But if many people agreed with the series' calls to rethink the past in order to guarantee the future, there was much dissent on the historical perspective it adopted.

Professor Kuang Yaming, a former president of Nanjing University, noted that a form of national nihilism is currently quite prevalent. He criticized the manner in which the series linked the Huanghe culture, the Yellow Emperor, the yellow colour and the yellow race all to a symbol of tragedy as being incorrect historically, ideologically, theoretically and practically.

Associate professor Pan Qun, also of Nanjing University, agreed that it is erroneous to negate China's traditional culture completely. He pointed out that history bequeaths us both the strengths and weaknesses of our national culture, and having a strong national tradition, the poorer aspects have a dogged strength.

Viewers Wang Xiaodong and Qiu Tiancao suggested one of the problems with *The River Dies Young* was that it measured China's culture by Western standards in an effort to expose the ignorance and backwardness of the former, and that this reflects a narrow view of culture.

Zhao Shiyu said the Great Wall is a true symbol of Chinese civilization. He asked, how can we negate the fact that it once represented power and prosperity just because it fails to be such a symbol now?

An economist pointed out that the documentary holds Confucianism and traditional culture responsible for many of China's contemporary problems—yet this does not tally with the facts and is merely to "blame contemporary mistakes on our ancestors."

Tsung-dao Lee, a noted American scientist of Chinese descent, said, "The culture of the Chinese nation originates from the Huanghe valley. After the loess culture moved to the Changjiang (Yangtze) River valley, it united the yellow people living in the north. When the yellow water of Huanghe flows into the sea, it links Overseas Chinese forever with this great river.... A nation which only relies on its past has no future, so does one which forsakes its ancestry. The 5,000-year loess culture is worth taking pride in. I hope our future efforts can also gain the respect of our descendants."

Chen-ning Yang, a noted American scholar also of Chinese descent, commented, "The documentary has made a contribution. It inspires people to think and ponder. It presents three symbols—the dragon, the Great Wall, and the Huanghe River. I believe the whole world recognizes these are the symbols of Chinese tradition. What I cannot accept is that it criticizes the Chinese traditions as if they have no merit. It insists that if we do not completely abandon these traditions China will have no hope. I think this is a big mistake."

#### **BAN YUE TAN on Education Funding**

OW2501110089 Beijing BAN YUE TAN in Chinese No 24,  
25 Dec 88 pp 16-18

[Article by Lin Shuangchuan (2651 7175 1557): "The Current Situation on Education Funds and How To Deal With It"]

[Text] The contradiction between the development of education and the shortage of funds is appearing with increasing intensity. How is the current situation on education funding? Where do the problems lie, and what are their solutions?

### Education Funding Should Be Viewed From Both Sides

The present contradiction concerning education funding is something like this: The Ministry of Finance says that appropriation for education has been increasing annually during the past 10 years; the education circle asks why the shortage of education funding is growing increasingly serious. Both sides have irrefutable evidence to support their arguments.

Actually, like "blind men feeling an elephant," both sides are telling the truth: Education funding has been increasing annually, and the shortage of education funding is still serious.

Looking at absolute figures, it is true that appropriation for education from the national budget has increased greatly in recent years. From 1976 to 1987, the state has apportioned a total of 106.3 billion yuan for education, with an annual increase of 15.9 percent, surpassing the annual revenue increase of 9.5 percent. Of this amount, 29.3 billion yuan have been spent on the infrastructure of education, increasing annually by 32.8 percent. Judging from these statistics, the proportion, when compared with developed countries, is not considered low.

However, "a ship does not become higher when the water level rises." There has not been a fundamental reversal in the serious shortage of education funding. Owing to serious deficiency accumulated from the historical past—compounded by an increase in the number of schools in recent years, price hikes, increase in the number of students and teachers in elementary and high schools, adjustment of teachers' remuneration, and other objective factors—most of the increased education funds have been spent as wage payment and allowance for teachers. The amount of funding actually used to improve teaching facilities has been little because a large portion of it was used for remuneration. This is closely related to our present structure and appropriation system. In foreign countries, computation of expenditure for education does not include remuneration. By mixing them together, we produce the strange phenomenon of an increasing education expenditure and a continuous shortage of education funding.

At the same time, due to economic limitations, these funds have remained insufficient to bring about any improvement in education.

Compared to developed countries, the contrast is even more outstanding. Education expenditure takes up six to eight percent of the GNP in most industrialized countries. In some developing countries, education expenditure takes up four to five percent of their GNP. In China, education expenditure has always been placed at the "bottom of the pit," and only began to show an increase in recent years. By 1987, it was only 2.6 percent of our GNP.

According to preliminary statistics, there is a shortage of 75 million square meters of classroom for elementary and high schools nationwide. As much as 45 million square meters of classroom have fallen into disrepair. Respectively, 94 and 53 percent of elementary and high schools are without laboratories. Operating expenses for running schools are seriously inadequate. Allowance increases for teachers have reduced the proportion of public funds intended for education. The real situation is still very severe despite various measures taken and policies drawn up by the government in the past 9 years to raise funds through a variety of channels as well as the imposition of education levies.

### It Isn't Just Poverty

Faced with these realities, we have to do some serious thinking: The prolonged shortage of education funding has affected the development of education. Is it due only to China's poverty?

There is no denying that the development of education is determined by the level of a country's economic progress. Our country is still poor, and the standard of productive forces is low. This makes it impossible for us to spend more money on education. However, this should not be used as an excuse for the shortage of education funding. The two crucial reasons are: First, for a long time we have harbored a muddled understanding of education; second, our society has yet to establish a system for raising education funds that conforms with the realities of our country.

It is noteworthy to point out that "educational myopia" has reduced education funding into a state of prolonged "poverty and weakness." Because it takes "100 years for the education of man to bear fruit," yielding results rather slowly when compared with some other construction projects, education has often been regarded as a "consuming business" and swept aside. "Educational anemia" in the past has bequeathed serious problems to education today.

Statistics indicate that from the founding of the PRC up to 1987, education expended four to seven percent of the national budget. Whereas in Singapore, one of the "four little dragons of Asia," education took up the largest share of the national budget during the sixties, surpassing that of the defense budget. Japan even "tightened its belt to fund education." Between 1945 and 1960, the amount of money spent by Japan to develop human resources was 16 times that for material development. Because of the improvement in human quality, after World War II it was able to introduce tens of thousands of new technologies with only 6 billion U.S. dollars to quickly catch up with the United States and West Europe. What we lack is the Japanese foresight and spirit.



Furthermore, restriction placed by a system in which the state is solely responsible for education and having only one single source for education funding has made everyone rely on the state for funds, thereby exacerbating the fund shortage. Because of the fund shortage, many localities have to ration chalk used by teachers. Experience in foreign countries shows that education cannot be undertaken solely by the state. Even in countries like the United States, local governments and society are mobilized to operate schools. However, in China, to show the "superiority" of socialism despite our fund shortage, we have suppressed, for a long time, the enthusiasm of private individuals and social forces to operate schools. Because of the inability to shoulder this heavy burden of "education for the whole people," the trend has developed against the state's wish. This is a profound lesson to be learned.

#### What Then Is the Solution?

How can we solve this problem of funding shortages troubling the education system? This is the current issue capturing the attention of people from all walks of life.

The famous economist Qian Jiaju has said: We must cut back the scale of capital construction, reduce waste, and increase education funding.

Huang Yaoze, assistant researcher at the Beijing Science and Technology Management Center, argued that the fundamental way is to rely on governments at all levels to raise funds and continuously increase the proportion of education expenditure in relation to our GNP.

Recently, another scholar proposed the establishment of a local education tax system by authorizing local governments to levy an education tax. He also suggested that the state issue low-interest, inflation-linked education bonds or establish a China Education Bank to seek funds outside the state budget and change the present system of sharing the national budget for education funding.

Li Tieying, minister in charge of the State Education Commission, believed that we should set up new mechanisms for solving the fund shortage so that education can have a stable source of funding as well as adapt to the operation of schools under different methods.

Different viewpoints, concepts, and plans have been presented after deliberation. However, it is impossible to immediately solve problems that have built up over the years, and the process to resolve the shortage of education funding must be taken step by step. The pace of this process will depend on the level of China's socioeconomic development, when the new mechanisms for solving the fund shortage in education can be formed and on the further strengthening of educational reform.

#### Official Interviewed on Moral Education

HK2601051389 Beijing RENMIN RIBAO in Chinese  
18 Jan 89 p 3

[Dispatch by reporter Wang Nuomei (3769 1226 2734): "He Dongchang Interviewed on Improving Moral Education for Primary and Secondary School Students"]

[Text] The "Circular of the CPC Central Committee on Reforming and Strengthening Moral Education for Primary and Secondary School Students" is a guiding policy for, and will have a far-reaching influence on, moral education in primary and secondary schools in a rather long period to come. On the question of how to correctly understand and implement the spirit of the circular, He Dongchang, vice minister of the State Education Commission, recently answered our reporter's questions.

Question: What is the practical significance of stressing moral education in primary and secondary schools at present?

Answer: In the "Circular of the CPC Central Committee on Reforming and Strengthening Moral Education for Primary and Secondary School Students," some new requirements have been put forth on the ideological and moral education for primary and secondary school students. We must realize the importance of this question, because it concerns the physical and mental health of vast numbers of young people. At present, there are 180 million primary and secondary students in our country. In addition, there will be about 20 million children entering primary schools each year. Thus, by the end of the century, there will be a total of 200 million primary and secondary students. They will decide the future of our country and the building of civilization in society. At present, there are many problems in the moral education for primary and secondary school students, such as neglecting the education in moral character and one-sidedly pursuing the rate of students entering schools of a higher grade. This is also a social problem, involving all families and all walks of life. It is necessary to call on the whole society to attach great importance to creating a good environment for the ideological and moral development of young people.

Question: What are the necessary changes that should be made in moral education for primary and secondary school students in the new period?

Answer: There should be two major changes in moral education for primary and secondary school students in the new period. First, attaching importance to the education in moral character is an essential demand of the socialist schools. Under the new situation, both the moral character and political consciousness of the students are stressed. This is a great change, which is different from the past practice of merely stressing political consciousness. Second, the objective of moral education is defined. The students are first required to be good citizens, and a basic requirement for citizens is



to have a good sense of social morality and discipline and a habit of behaving in a civilized manner. On this basis, the students will gradually acquire a correct world outlook and outlook on life under guidance and will make continuous efforts to increase their socialist consciousness. In view of the current development of the socialist commodity economy and democracy in our country and the situation of opening up to the outside world, there should be a greater change in the contents, forms, and methods of moral education. Not only primary and secondary schools but also all social circles, especially the press circles, such as broadcast, television, and newspapers and journals, should attach importance to moral education.

**Question:** As there are too many things to attend to in this regard, how do we implement the spirit of the circular and strengthen moral education?

**Answer:** As we understand very well the importance of moral education in the new historical period and the changes in this respect, we must get things done. A central leading comrade said: "In all the work we are doing, we must attach great importance to education; in education, we must attach great importance to primary and secondary education; and in primary and secondary education, we must attach great importance to moral education." Headmasters of primary and secondary schools must attach still greater importance to moral education. All provinces, municipalities, and regions are expected to work out regulations and plans on moral education. It is necessary that moral education is guaranteed by the law. Now the CYL Central Committee is drafting a law on protecting the underage young people. It is necessary to protect the youngsters. This is not only a matter of the educational departments but also a matter of the whole society. The key still lies in school education.

In the future, all schools must have applicable plans. At present, it is first necessary to set standards for the students' conducts. It is necessary to carry out education in observing the law among primary and secondary students and have the education in patriotism and moral character be carried out in various courses. Further improvement should be made in all teaching materials based on this. At present, the State Education Commission is compiling new textbooks for the years after 1991. In these new materials for teaching and outside reading, some stories will be carefully selected to teach the children what is right and what is wrong. This is also good for increasing the social morality level as a whole.

It is also necessary to train a contingent of core members for moral education and have those teachers who enjoy a high prestige among the students and who are most welcomed by the students give lectures on moral character. In university entrance examinations this year, the content of public security regulations will be added to the examination paper. Some university students know very little about the law. This has something to do with

primary and secondary education. The implementation of a series of measures in primary and secondary schools, such as setting standards for the students' conduct and carrying out education in social morality, will arouse the attention of the whole society and parents of the students in moral education. The rate of juvenile delinquency in an area also reflects the primary and secondary education in that area.

In short, it is necessary to attach importance to the study of this CPC Central Committee document, change our old concepts, and resolutely and seriously implement the document, so that there can be a great improvement in moral education for primary and secondary students and so that the young people can grow up healthily and the national spirit can be enhanced.

**Li Xiannian's Selected Works Publication Slated**  
OW2501154689 Beijing XINHUA in English  
1305 GMT 25 Jan 89

[Text] Beijing, January 25 (XINHUA)—A book titled, *Li Xiannian's Selected Works*, which collects more than 90 major articles he has written over the past 60 years, will be published February 15.

Li, now chairman of the Seventh National Committee of the Chinese People's Political Consultative Conference (CPPCC), is an outstanding proletarian revolutionary, politician and expert on economic management. He used to be president of the People's Republic of China.

Most of the articles collected in the book, compiled by the Commission for the Compilation of Party Literature of the Party Central Committee, are to be published for the first time.

The main contents of the book include articles written and speeches made by Li from the days of the Long March, beginning in 1934, to 1949 when New China was founded, and since.

Li has put forward some original and important views in economic planning, finance, commerce and foreign trade since he was elected China's vice-premier and minister of finance in 1954.

It is learnt that a biography of the late Premier Zhou Enlai will soon be published by the commission.

**Li Peng Sends Greetings to New Enterprise Group**  
OW2501182589 Beijing XINHUA in English  
1325 GMT 25 Jan 89

[Text] Beijing, January 25 (XINHUA)—The China Huang (CHNG) Enterprise Group was founded here today to develop the energy, transportation and raw material industries with both domestic and foreign funds.

Li Peng, premier of the State Council, sent greetings to the group on its founding and encouraged it to establish itself as a modern enterprise group to promote the development of China's energy industry.

Wang Chuanjian, CHNG's president, said that his group will also engage in trade, finance, and the development of science and technology.

The group will also invest in various forms of Sino-foreign economic cooperation, setting up solely-owned and joint ventures, and co-managed enterprises in the fields of energy, transportation and raw materials.

Addressing the founding ceremony, Minister of Energy Resources Huang Yicheng said that CHNG has leapt over restrictions among departments and opened up a competitive prospect for the energy industry.

**Qiao Shi Addresses Central Discipline Meeting**  
*OW2401152889 Beijing XINHUA Domestic Service*  
*in Chinese 1251 GMT 23 Jan 89*

["Local Broadcast News Service;" by RENMIN RIBAO reporter Chen Weiwei and XINHUA correspondent Chen Yan]

[Text] Beijing, Jan 23 (XINHUA)—At a national conference on discipline inspection that opened here today, Qiao Shi, CPC Central Committee Political Bureau Standing Committee member and Central Discipline Inspection Commission secretary, pointed out that discipline inspection organs at all levels must enhance their sense of urgency and responsibility; firmly take advantage of the current opportunity in the crucial year of improvement, rectification, and readjustment; raise the whole party's sense of organization and discipline; enhance party discipline; strengthen discipline inspection work; and ensure the smooth implementation of the CPC Central Committee's strategic plan.

The conference's principal task is to review and exchange experiences in discipline inspection work since the 13th CPC National Congress and discuss and arrange for further improving party workstyle and discipline in the course of improving the economic environment, rectifying the economic order, and implementing readjustment and reform.

Qiao Shi said in his speech: The CPC Central Committee has paid great attention to bringing into play the party's traditional political advantages and to strengthening party leadership and party building since the 3d Plenary Session of the 13th CPC Central Committee. The whole party's sense of organization and discipline has somewhat improved, and various localities and departments have been able to take the interests of the whole into account and properly handle the relationship between partial and overall interests, earnestly implement various measures related to improvement and rectification, and actively implement readjustment with the spirit of

reform. Under the leadership of party committees at all levels, discipline inspection organs have cooperated with supervision and inspection departments, and in some cases taken the initiative themselves, to earnestly investigate such a problem as reselling goods for profit, including major means of production covered by state plans, scarce consumer durables, commodities subject to state monopoly, and railway carriage services. They have concentrated on investigating a number of cases involving corruption, bribery, abusing powers, malfeasance, and illegal reselling for profits. Their efforts have played an important role in turning lax discipline and out-and-out disregard for orders and bans around to create good conditions for improvement, rectification, and readjustment.

Qiao Shi pointed out: The current situation and tasks are very favorable for further tightening party discipline and improving party workstyle. Since the 13th CPC National Congress, discipline inspection organs at all levels have been clear about the guiding principles, fundamental tasks, and main functions of discipline inspection work. In line with the principle of separating the functions of the party from those of government, they have achieved initial progress in readjusting their relationship with other supervisory departments. They have done a great deal and achieved a lot in sternly investigating and handling violations of discipline within the party, helping party committees improve party workstyle, improving the ranks of discipline inspection cadres, and formulating regulations governing discipline inspection work in order to institutionalize and standardize it. We should affirm these achievements.

Qiao Shi said: The main tasks of discipline inspection work in the future are to further strengthen party discipline in order to guarantee the implementation of the CPC Central Committee's decisions with strict discipline; persist in the principle of enforcing party discipline, rigorously enforce party discipline, and earnestly investigate and deal with violations of discipline within the party; improve party workstyle and preserve the honesty of government organs; strengthen supervision over discipline and cooperate with relevant departments on their own initiative to fully utilize the overall efficiency of the supervision network; and earnestly do a good job in formulating regulations and reforming and strengthening the ranks of discipline inspection in order to gradually make discipline inspection work standardized and scientific.

Chen Zuolin, deputy secretary of the Central Discipline Inspection Commission Standing Committee, delivered a report in its behalf at today's opening ceremony, entitled: "Strengthening the Party's Discipline Inspection Work While Deepening Reforms in an All-round Way." In his report he reviewed the progress as well as problems in discipline inspection work since the 13th CPC National Congress and outlined arrangements for future work.

Responsible persons from the discipline inspection commissions of the various provinces, autonomous regions, municipalities, and cities with provincial-level decision-making powers; the party work committees for organs directly under the CPC Central Committee and central state organs; and the discipline inspection commissions and groups of the relevant ministries and commissions of the central government—120 in all—attended the meeting. Zhao Zongnai, deputy head of the CPC Central Committee Organization Department; Lu Peijian, auditor general of the Auditing Administration; and He Yong, vice minister of supervision, also attended the meeting by invitation.

### Li Tieying Attends Musical Performance

OW2501230689 Beijing Television Service in Mandarin  
1100 GMT 22 Jan 89

[Video report by reporters Wang Jianhong and Wang Jiansheng, from the "National News Hookup" program]

[Excerpts] A singing performance of songs composed by Qiao Yu, held at the Tianqiao Theatre in Beijing on the evening of 21 January, reached a climax when a vocalist began to sing the song My Motherland.

With a voice as beautiful and charming as it was years ago, renowned sexagenarian songstress Guo Lanying won the heart of whole audience. [passage omitted]

Li Tieying and other leading comrades attended the performance and congratulated the performers on its success.

[Video shows shots of Guo and other vocalists singing on the stage, as well as Li and other unidentified leaders in standing ovation]

### Yao Yilin, Others Attend CPPCC Session

OW2401153189 Beijing Domestic Service in Mandarin  
2230 GMT 23 Jan 89

[From the "News and Press Review" program]

[Text] The fourth Standing Committee meeting of the seventh CPPCC National Committee opened in its auditorium on the morning of 23 January.

Yao Yilin, vice premier of the State Council, gave a report on the current economic situation and the work plan for 1989.

Presided over by Wang Renzhong, CPPCC National Committee vice chairman, the meeting approved an agenda. According to the agenda, the current meeting will deliberate on the CPPCC National Committee's draft provisional regulations on political consultation and democratic supervision and hear reports on studying these draft provisional regulations.

Zhou Shaozheng, CPPCC National Committee secretary general, explained the draft provisional regulations. He said: At present there are 2,931 political consultative organizations at all levels throughout China. They have more than 410,000 members, who are in close touch with and exert much influence on ordinary people. Their members are an important force in safeguarding unity and stability and promoting reform, opening to the outside world, and socialist construction. However, political consultative organizations have encountered some problems. The most serious problems are the imperfection of the political consultation and democratic supervision system and the existence to a certain extent of a casual approach to work.

Zhou Shaozheng said: The draft provisional regulations on political consultation and democratic supervision, which have been formulated after thorough deliberation over the past year, stress the following:

1. The CPPCC should carry out political consultations before making important state decisions.
2. Consultations can take place at the suggestion of the leading organs of the party and government or when the CPPCC chairmanship meeting suggests this to the leading party and government organs.
3. The democratic rights of CPPCC members should be protected and different opinions can be aired at various CPPCC meetings.

CPPCC National Committee Vice Chairmen Yan Mingfu, Fang Yi, Gu Mu, Yang Jingren, Kang Keqing, Hu Ziang, Zhou Peiyuan, Qu Wu, Liu Jingji, Wang Enmao, Qian Xuesen, Qian Weichang, Sun Xiaocun, Cheng Siyuan, Qian Zhengying, Su Puqing, and Ismail Amat attended the meeting.

### Yao Reports on Three Gorges Project

HK2501031789 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 1253 GMT 23 Jan 89

["Yao Yilin Says That For the Time Being China Will Not Consider Starting the Three Gorges Project Immediately"—ZHONGGUO TONGXUN SHE headline]

[Text] Hong Kong, 23 Jan (ZHONGGUO TONGXUN SHE)—Yao Yilin, vice premier of China's State Council, indicated that it is absolutely impossible to consider the Sanxia [Three Gorges] Project in the next 5 years.

It is learned that at the fourth meeting the Standing Committee of the Seventh CPPCC National Committee this morning, Yao Yilin delivered a report on the current



economic situation and the 1989 economic plan. When mentioning the Sanxia Project in the report, Yao Yilin said:

In the next 5 years, it is absolutely impossible to start the Sanxia Project, so people do not need to spend too much energy debating this issue for the time being.

Yao Yilin is the director of the Sanxia Project Committee of the State Council. He said: The Sanxia Project has been discussed and studied for a long time. People supporting this project have many good reasons; and people opposing this project also have many good reasons. In my opinion, Yao said, since it is impossible to start the project so soon, we do not need to spend too much energy debating this issue. If a decision is to be made in the future, it is certain that full discussions will be conducted, and the issue will be submitted to the NPC for deliberation.

**Jou Jiahua Addresses Meeting on Energy Shortage**  
HK2101061489 Beijing CHINA DAILY in English  
21 Jan 89 p 2

[By staff reporter Xu Yuanchao]

[Text] About 250 technical experts and business leaders gathered in Beijing yesterday in an attempt to devise ways to ease the nationwide energy crunch.

The State Council will form a leading group to coordinate coal supply, transport and electricity generation, said State Councillor Zou Jiahua at the energy conference.

He said energy output has increased, but the nationwide energy shortage remains serious and is likely to worsen in the next few months.

He attributed the shortage to rapid economic growth and resulting in increased demand for coal.

In addition to the power industry, enterprises in the metallurgical industry recently declared a coal shortage emergency.

Zou said coal stored at the coal port of Qinhuangdao in Hebei Province and awaiting shipment now amounts to 970,000 tons. The departments concerned will arrange idle ships to help transport the coal to the power-starved provinces of eastern China.

Up to 200 million tons of coal will be needed for power generation this year. The conference will focus on how to ensure coal supplies to major power plants throughout the country, he said.

The growth rate of electricity generation in the fourth quarter of last year dropped to 3.7 percent from 9.6 percent in the previous three quarters. In December the growth rate fell to 1.76 percent.

He said China will step up construction of medium-sized hydroelectric power stations with capacities ranging from 25,000 to 250,000 kilowatts.

China is rich in hydroelectric power resources but only 7 to 8 percent of the total has been developed.

"We are not against construction of large hydroelectric power stations, but they will take a long time to build and require heavy investment," he said.

Huang Yicheng, minister of energy resources, said the situation in the energy industry is "tough," and will remain so in the next three months.

He warned that thermal power plants in China will reduce their electricity generation by 57 million kilowatt hours and hydroelectric power stations by 35 million kilowatt hours, about an 8 percent drop over the same period last year.

Coal stockpiles for power generation for this winter have dropped to 4 million tons, 2 million tons below the minimum desirable amount.

In the eastern China power grid, big generating units with a capacity of up to 2 million kilowatts had to stop working because of the coal shortage, the minister said.

Huang said whether China can reach its economic development targets by the turn of the century depends largely on energy production.

By the year 2000, China's generating capacity will increase to 240 million kilowatts, according to the plan. In the next 12 years, 160 million kilowatts will be added to the country's total capacity. These will include 46 million kilowatts of hydroelectric power capacity, 105 million kilowatts of thermal power and 6 million kilowatts of nuclear power.

In addition to the nuclear power plants now under construction at Daya Bay and Qinshan, he said, China plans to build nuclear plants in Guangdong, Liaoning and Jilin provinces and in Nanjing.

**Zou Jiahua Attends Postal Services Conference**  
OW2501092689 Beijing Domestic Service in Mandarin  
2230 GMT 21 Jan 89

[From "News and Press Review" program]

[Text] State Councillor Zou Jiahua pointed out: Postal and telecommunications services are a big network whose development should be planned in an overall manner, taking all factors into consideration. Guidance for the development should be centralized in a way which can arouse the incentive of all quarters so that postal and telecommunications services can develop more quickly.

Zou Jiahua emphasized this requirement constantly at the National Conference on the Postal and Telecommunications Service held yesterday.

He said: The nation's postal and telecommunications services have developed significantly during the past decade. The telecommunications capacity has expanded conspicuously, and the technology has noticeably improved. The number of the nation's program-controlled telephones, which used to be nonexistent, now exceeds 1,466,000; over 430 cities have automatic long-distance telephone call services; and over 50 cities can now make direct telephone calls to 156 countries and regions.

Zou Jiahua pointed out: Comrades of the postal and telecommunications departments should soberly realize that there are still sharp contradictions between supply and demand in our telecommunications system, which includes urban, long-distance, and international telephone services, postal services, and telephone services in the rural areas.

He said: The postal and telecommunications system is a big one. All the services are coordinated. The main branches of the service should be operated by the state. In developing postal and telecommunications services, planning should be coordinated, controls and regulations should be integrated, responsibilities should be set at all levels, and cooperation is essential. Under coordinated planning, efforts should be made to bring into play the incentives of all localities and departments.

Zou Jiahua stressed that the construction of main telecommunications lines should be intensified. He said: The Ministry of Posts and Telecommunications should be responsible for the construction of grade one telecommunications lines. First of all, it should improve the international telecommunications services. Second, it should improve the services between the capital and big cities, between big cities and provincial seats, and between all provincial seats. Third, it should improve the services between coastal, open areas and economically developed areas, where telecommunications services are in high demand. Fourth, it should properly plan the development of all main mail routes.

**Hainan Rocket Launch Site Described**  
*HK2601071089 Beijing CHINA DAILY in English*  
26 Jan 89 p 5

[By Li Xiguang]

[Text] The rocket theory was first put forward by the Russian scientist K. E. Tsiolkovsky in the late 19th century, but it was not until the late 1940s that rockets began to be used for high altitude scientific studies.

Despite the tremendous progress in the space programme, scientists throughout the world still consider sounding rockets indispensable to obtaining information

about the physical and chemical nature of the atmosphere in the 30 kilometre to 200 kilometre zone, a region too high for balloons and too low for satellites.

Recently, China's first launch pad for purely scientific sounding rockets was established at Fuke, a tropical hilly area on the western coast of Hainan Island in south China.

The launch complex is about 10 kilometres inland and 200 kilometres from Haikou, capital of the island province. It can send rockets up to a height of 120 kilometres with a payload of 30 kilograms.

The first phase of the space exploration project, which has taken two years to complete, includes a launching pad, an underground control centre, an assembling and testing laboratory, a comprehensive experiments building, a remote-control and data-processing centre, a radar tracking and locating station, and living accommodation for 1,200 scientists and technicians.

A ground observation station is now under construction at Haikou.

Professor Sun Chuanli, director of the Space Centre under the Chinese Academy of Sciences and head of the rocket launch base, said that a wide range of space experiments are planned.

"Sounding rockets will be launched to measure and observe the atmospheric conditions of space and act in conjunction with satellites to gather material for research purposes," he said, adding that the base will also be involved in the retrieval of spacecraft and in communications and navigation.

Sun, who had a part in the design of China's first satellite in the 1960s, said all of the other satellite launching bases in the country are located in medium latitudes, such as Jiuquan, Taiyuan and Xichang.

The Hainan base is designed specially to carry out research into high-altitude air currents, temperature, pressure, and changes in the composition at low altitude, a region in which space scientists around the world are showing increasing interest.

The base can also conduct new material experiments and space manufacturing under microgravity conditions, Sun said.

Last month, the first sounding rocket experiments at the base were completed with the launching of four "Weaver Girl I" rockets. The solid-fuel "Weaver Girl I" was a joint undertaking of the National Defence University of Science and Technology, the Chinese Academy of Sciences and China's Ministry of Aerospace.

Its chief designer Professor Gan Chuxiong said the rocket was designed to carry an instrument package into the atmosphere 60 kilometres above the earth.

"If the launch test succeeds this time, it will clear the way for a big launch into deeper space in December 1989," Gan said.

Last December 19 at 9:08 am the first "Weaver Girl I" rocket roared into the clear blue sky like a huge white arrow, leaving behind a dazzling amber flame.

Two minutes and 10 seconds later the rocket booster separated and fell into Beibuwan Gulf.

The rocket's head, carrying a probe package, released its huge parachute and started a two-and-a-half hour descent from an altitude of 60 kilometres, splashing down into the sea 64 kilometres west of the launch site.

The people at base central control were jubilant about the rocket, probe equipment, radar-tracing, remote monitoring, data collecting and processing system. All performed excellently.

The tests, which were carried out over a two-week period, resulted in a wealth of data being collected.

Scientists hailed the success as a notable milestone in the history of China's space exploration.

The launch not only marks the first time that Chinese scientists have had direct access to mid-layer atmospheric parameters near the equatorial area, it is also the debut of the "Weaver Girl I" rocket. The name comes from a legendary Chinese celestial figure, which actually refers to the Vega star in the Milky Way.

A project official said that because the base is one of the few in the world located near the equator it should attract overseas scientists for joint research.

He said the Max-Planck Institute of Aerospace in West Germany has signed an agreement with the Space Centre under the Chinese Academy of Sciences to carry out observations of the ionosphere—a region extending from 60 to 100 kilometres above the earth—next year. The data obtained from the research will be shared equally by the two sides.

Development of a "Weaver Girl III" rocket, which in fact is the second one, is currently under way. It is a complex rocket system to probe the upper layers of the atmosphere. The new rocket is expected to be launched later this year.

**Power-Saving Freon-Free Technology Developed**  
*OW2401143389 Beijing XINHUA in English*  
1253 GMT 24 Jan 89

[Text] Beijing, January 24 (XINHUA)—A Chinese scientist claims to have developed a new technology that eliminates the use of freon in refrigerators and reduce power consumption.

Gu Zoujun, senior engineer at the China Software Technology and Energy Engineering Corporation, claims to have worked out a new theory of thermal power circulation, which can be applied to refrigerator production, after three years' effort.

Experts attending a recent appraisal meeting said Gu's theory will revolutionize the air-conditioner and refrigerator industries.

According to a report in today's "PEOPLE'S DAILY," the new technology can cut power consumption for refrigerators by 20 to 40 percent, and that of large cooling and air-conditioning systems by 30 to 60 percent.

It is said that the unspecified technology can also raise the capacity of heat flow from generators working by 100 percent.

The report said in the new technology, refrigerators can use a new material as the coolant instead of the now widely-used freon-12, which causes danger to the environment.

The report gave no details of the new theory, but said that it has aroused interest among academic and industrial circles at home and abroad.

The paper said that several refrigerator factories in China have decided to use the new technology in their products.

**Nuclear Apparatus for Oil Prospecting Developed**  
*HK2301121189 Beijing CEI Database in English*  
23 Jan 89

[Text] Shanghai (CEI)—Chinese scientists have recently developed two nuclear apparatus for oil prospecting.

The "rock density oil-well identifying device" and "natural gamma energy spectrum oil-well identifying device," believed to be two major scientific gains in the industry, are the fruits of cooperation between the Shanghai Institute of Nuclear Research under the Chinese Academy of Science and the Jiangnan Oil-Prospecting Institute.



By using nuclear electronics, nuclear detecting and computer technologies, the devices can quickly and accurately identify underground oil-bearing layers and oil wells, as proved by tests carried out in north China's Shaanxi Province and the Inner Mongolia Autonomous Region.

**Expert Group Set Up To Draft Technology Plan**  
*OW2201083989 Beijing XINHUA in English*  
0716 GMT 22 Jan 89

[Text] Beijing, January 21 (XINHUA)—A group of experts have been organized to draft China's long- and medium-term program for the development of science and the technology with the approval of the State Council, China's highest governing body.

This is the first time that such a program will have been drawn up. Previous plans have only looked up to 12 years ahead.

According to Song Jian, state councilor and minister in charge of the State Science and Technology Commission, science must take the lead in China's economic and social development.

The program is designed to give greater play to scientific progress, rather than ideology, in China's modernization.

**Article Views Army's Peacetime Status**  
*HK2601060589 Beijing JIEFANGJUN BAO in Chinese*  
12 Jan 89 p 3

[Article by Liu Zhonglai (0491 1813 0171): "A Plain Talk on the Status of the Armed Forces in Peacetime"]

[Text] The status of the Armed Forces in peacetime has become a frequent topic inside and outside the Army. Looking back nostalgically on the outstanding status of our Army during the war years, some comrades think that the Army has a "reduced status" today. For this reason, they always have a "sense of loss." In fact, the changing status of the Armed Forces in peacetime is in keeping with the objective law.

Before the founding of the PRC, our country was a semifeudal and semicolonial society. The principal contradiction was that between the proletariat, as well as the masses of the people under its leadership, on the one side and imperialism, feudalism, and comprador capitalism on the other. The central task of the party was to win the war, overthrow the three mountains, and seize power through armed force. Under these circumstances, as a pillar to win the war, the Armed Forces naturally occupied a conspicuous position. The historical conditions have been different since we entered peacetime. The principal contradiction in our society has changed into one between the people's growing material and cultural demand and the backward social production, and the central task of the party and the state is to bring into full

play the enthusiasm of all quarters, to concentrate our energy on economic construction, and to change the backwardness and poverty of our country as quickly as possible. This is the overall situation faced by the party and the state under the new historical conditions. The position of the Armed Forces, which are a part of the whole party and the whole country, should inevitably shift from the "central status" to the "subordinate status" of being subordinate to the overall situation of the state's economic construction. Moreover, the status of the Armed Forces will also be conditioned and affected by the international environment and situation. Generally speaking, when the international situation is strained or deteriorates and the danger of war is imminent, the Armed Forces will be in a relatively conspicuous position; when the international situation eases and the danger of war is not too serious, the Armed Forces will be in a not-too-outstanding position. Today, new changes have taken place in the world situation and the international strategic pattern. Although the danger of war has not been ultimately eliminated, the factor conditioning war has grown very rapidly and the growth of the peace force has outweighed that of the war force. There are still prospects for achieving peace and stability for a considerably long period of time. Basing ourselves on this scientific analysis and judgment, we have effected a strategic shift in the idea guiding national defense building and Army building and resolutely reformed the Army structure and streamlined its organization. This is an objective demand put forward by the theme of peace and development in the world today. The status of the Armed Forces naturally should also be in a suitable position.

However, the historical changes that have taken place in Army status in peacetime do not mean that the armed forces are dispensable. As far as the Army functions, role, and mission are concerned, at no time can its important status be overlooked or substituted.

We need a powerful Army in seizing and consolidating state power. In peacetime, a country's influence on the external world and its control over the internal political situation not only depend on its economic strength but also on its military deterrent. In nearly 4 decades since the founding of the PRC, our country has been able to effectively protect the state's security and interests and to occupy a decisive position in international relations. An important reason for this is that, while developing our economy, we possess a strong military deterrent. Besides, the peaceful environment today is only a relatively stable, peaceful environment and the source of war has not been eliminated. The arms race between the superpowers has never genuinely stopped and regional conflicts and partial wars have never ceased. There are also numerous unsafe factors and some potential threats in China's peripheral environment. Under these circumstances, in order to create a peaceful, stable international environment for the ongoing modernization drive, it is necessary to vigorously step up Army building.

We can attain peace for a relatively long period only if we maintain ample military strength, adopt the posture of being skillful at battle but not wanting to start a war to force aggressors to flinch, and to attain the aim of subjugating others without fighting a war. In particular, the current growth of the export-oriented economy has made the Army's status and role even more important. To protect our country's maritime rights, to ensure the safe passage of China's international trade line, to develop our continental shelf and exclusively our maritime economic areas, and to protect and exploit oil resources in the South China Sea, it is necessary to have a strong military force as a guarantee.

The Armed Forces are not only the defenders but also the participants of economic construction. Didn't many key state construction projects, such as the Tianjin diversion project and the Shengli Oilfield development project, contain the wisdom and power of our Army's officers and men? The fact that our national defense science and technology and our defense industry persist in taking the road of combining military and civilian production and that many enterprises and military technology gradually turn over to civilian needs has effectively stimulated the growth of the national economy. Our Army has also set aside some military facilities, including airfields and ports, to provide effective services for the development of the socialist commodity economy. All this shows that Army building and state economic construction are fundamentally consistent and that, instead of accomplishing nothing, the Armed Forces can develop their ability to the full in the period of peaceful construction by the state.

In peacetime, with people's attention shifting to economic construction, the Army's status and role are liable to be neglected. For this reason, we should adopt numerous measures to safeguard the Army's proper status. On the one hand, it is necessary to create a favorable social environment and external conditions for the Army and to extensively launch education in national defense among all people in order to raise the people's concept on national defense; to step up publicity on military work and Army building so that the masses of the people can have a better understanding of, and be more concerned with, the Army; to adopt corresponding policies and measures to solve various practical problems in Army building; and to amplify various rules and regulations on national defense and to rely on the laws and systems to ensure the Army's legitimate rights, interests, and proper status. On the other hand, the Army itself should also project a new image and build up its prestige with its exemplary actions. While carrying forward the glorious traditions, it should blaze new trails and perform new meritorious services for the people; it should make further efforts to develop a sense of honor in being career military personnel, to regard hardship as a partner, dedication as a basis, and sacrifice as an honor, and to be ready to devote itself to the defense undertaking; and it should practice military skills and improve the

quality of military personnel under modern conditions. Only in this way can we ensure that our Army has always been worthy of the name of a "steel great wall."

#### Article Stresses Welfare of Soldiers

HK2501000189 Beijing JIEFANGJUN BAO in Chinese  
29 Dec 88 p 3

[Article by Liu Xin (0491 2946), Zhang Chaoning (1728 2600 1337), and Shi Quan (0670 0356): "Thoughts on the Rights and Interests of Soldiers and Safeguarding Them"]

[Text] Inspired by the great tide of reform, our Army has been undergoing a profound evolution since the 3d Plenary Session of the 11th CPC Central Committee. Like all other reforms, the reform of the Army has faced many problems demanding prompt solution, among which the issues concerning soldier's material interests, their pay and other benefits, the settlement of demobilized and retired soldiers, and so on, have become increasingly conspicuous and have drawn the attention of the Army and the whole community. Now the party, the state government, and governments at all levels are seeking a solution. In our opinion, these problems, in substance, are related to a theoretical issue which has long been neglected, namely, how to view soldier's rights and interests and how to guarantee them.

#### I.

Soldier's rights and interests mean the rights and interests that a soldier is entitled to. They are determined by the special nature of the military profession, which is mainly reflected in the following aspects: 1) The risk that a soldier's career involves. The most obvious characteristics of military activities is the risk to life, which other ordinary professions do not involve. 2) The restrictions arising from a soldier's career. Due to the strict discipline and highly centralized administration of the Army, a soldier cannot possibly enjoy a normal family life and have their own interest fully satisfied like other members of the community. 3) The restrictions on a soldier's career development. The military profession requires a soldier to be separated from the normal environment of social life over a long period of time, and this can have a conspicuous effect on a soldier's personal development with a view to adapting to the needs of society. Thus it can be seen that soldiers, in performing their duties, have to pay an extraordinarily high price as compared with those engaging in other professions. Only by offering special compensation for the extraordinarily high price, including special material benefits, social welfare, social security, social recognition, and so on, can the state ensure that soldiers will enjoy the rights and guarantees that they are entitled to.

The Army is the mainstay for safeguarding national security. Soldier's service provides the whole society with a guarantee of security and is the most basic condition for all kinds of normal social activities. In this



sense, safeguarding soldier's rights and interests and ensuring that they can properly perform their duties actually means safeguarding the common interests of the state and the whole society. Furthermore, according to the modern principle of social justice that calls for a balance between rights and duties, as soldiers undertake special duties in safeguarding national security, they are entitled to acquire a recognition and guarantee of their special rights and interests. If one only emphasizes soldier's duties and disregards their rights and interests, it not only goes against the principle of social justice but will dampen soldier's initiative and their sense of honor, result in dissidence and a decline in morale among soldiers, and deprive them of the social respect that they deserve. Such being the case, national defense will certainly be weakened, social security will lose its guarantee, and the public's confidence in the state will be shaken. It is out of this consideration that all countries in the world have attached great importance to the safeguarding of soldier's rights and interests. For example, in the United States, the Soviet Union, and France, a soldier's basic salary is higher than civil servants of the same grade and, in addition, soldiers enjoy some 30 subsidies and allowances, including the subsidies for professional skills, for work under special circumstances, and for dangerous tasks; allowances for special academic titles and degrees, and so on. Canada has enacted more than 90 laws and regulations prescribing soldier's duties and safeguarding their rights and interests, Japan has enacted more than 150, and West Germany more than 250. These laws and regulations concern the role, duties, and structure of the Army, the system of military ranks, the promotion and retirement systems for soldiers, and so on. Formulated in great detail, they provide rules to be followed in all possible cases.

In a socialist country like ours, there should be no special social group ruling the society. The rights and interests enjoyed by the Chinese soldier should be the same as those enjoyed by other laborers. However, as we have already mentioned before, due to the extraordinarily high price that the military profession involves, a soldier actually cannot enjoy equal rights and interests in many aspects like other members of the community. And, when they are demobilized, their readiness to adapt to the community is usually lower than the average standard of other members of the community. Such being the case, only by offering special compensation to the soldier will it be possible to realize the equality between soldier and civilians in terms of rights and interests. Therefore, from every point of view, the rights and interests enjoyed by the Chinese soldier are a kind of equal rights and interests rather than privileges or special personal interests. And this is the key point of the view on soldier's rights and interests that we want to specially emphasize in this article. One more point that needs to be explained is that, for the PLA as the People's Army in a socialist country, effective ideological and political work is, after all, an important factor for boosting the morale of officers and soldiers. In conscientiously studying and properly solving all the issues concerning soldier's rights

and interests, we are not violating the principle of appreciation of ideals, contributions, and self-sacrifice that we have consistently upheld, still less do we mean to weaken or even give up ideological education. In fact, with their rights and interests guaranteed, the vast number of PLA officers and soldiers will certainly more clearly realize, in light of their personal experience, the basic nature of the PLA as the People's Army. Thus the ideological education among soldiers will be more convincing, and a healthy and stable psychological environment for ideological and political work will be available.

## II.

Soldier's rights and interests need a special guarantee so that a real equality between soldier and other laborers in terms of rights and interests can be achieved. To explain this is easy but to implement it is more difficult. Due to the abnormal development of social life in our country over many years, we still face many contradictions and problems with regard to safeguarding soldier's rights and interests.

For the past 30 years or so, a basic characteristic of the Chinese system to safeguard soldier's rights and interests was that it was implemented as a political task and was usually enforced by rigid administrative orders. In the fifties just after the founding of the PRC, as full-scale reconstruction was under way, a large number of cadres were needed to fill posts in all walks of life, and the Army was then enjoying high prestige. We encountered no obstacle in implementing the above rights and interests, safeguarding form. However, after the sixties, some abnormal factors began to develop in the economic and political sectors in our country. During the "Cultural Revolution" in particular, due to some reasons that are known to all, the Army expanded drastically, whereas economic construction stagnated and unemployment turned out to be an increasingly conspicuous problem. Under these circumstances, such issues as the employment for dependents of a soldier living with Army units and job arrangements for demobilized soldiers gradually became a heavy burden on the community. A primary solution to this problem at that time was to expand the size of the staff beyond the original authorized size. This actually did not solve the existing contradictions but concealed them. After the 3d Plenary Session of the 11th CPC Central Committee and in the wake of the reform, those concealed problems have gradually shown up and new problems have continued to arise. For instance, all soldiers on active duty enjoy uniform social security standards in terms of emolument, social welfare, and medical benefits, most of which are realized through the market, and these "fixed standards" can hardly suit the "flexible market" under the policy of opening up and economic reform; so the actual social security standards will inevitably be affected or will decline. The employment for dependents of soldiers living with Army units and the job arrangements for demobilized soldiers are subject to centralized placement by the state; however, as



the establishments employing them have had their decisionmaking power expanded, they have the say regarding the employment and placement of their staff members according to the principle of economic efficiency. Such being the case, the soldiers can now hardly enjoy their rights and interests in this regard.

Military service reduces the labor force of soldier's families and thus affects their living standards. This is most obvious in rural areas where the system of contracted responsibilities on the household basis with remuneration linked to output is implemented. Furthermore, in the wake of the development of the commodity economy and the reform of the labor and personnel system, a new situation favorable to the flow of the labor force and competition for employment is emerging in China. When demobilized soldiers return to the community, many of them may find themselves in an unfavorable position in competition for employment due to the restrictions imposed on their personal development as a side effect of their military career. As a result, although many demobilized soldiers have been assigned one job or another by administrative orders, they can hardly avoid the fate of being laid off because of incompetence.

All these have clearly shown that our system of safeguarding soldier's rights and interests, that has been practiced for more than 30 years, is now disintegrating. In the process of reform, like all other things, the issue concerning the safeguarding of soldier's rights and interests is at a stage of transformation. This will naturally lead to a situation in which soldier's rights and interests in certain fields are not effectively safeguarded, especially when they concern the structure and system. So, some malpractices which go counter to the normal standard and the current system, such as the utilization of personal relations, the practice of getting in through the back door, and so on, have naturally become the only alternative for many demobilized soldiers who are fighting for their legitimate rights and interests. One can easily imagine the confusion in the field of ideology and the negative influence on Army development due to these malpractices. Thus it can be seen that at present, as far as safeguarding soldier's rights and interests is concerned, one of our important tasks in the Army modernization process is to look at a new point of view, to explore a new form which will suit the needs of the commodity economy, and to build up a new, complete, regular, and efficient structure.

### III.

The safeguarding of soldier's rights and interests can be roughly divided into two aspects. First, the safeguarding of soldier's rights and interests during their term of military service. For example, the guarantee of higher income for soldiers; subsidies granted to soldier's families in compensation for the decrease in the income of these families due to military service; the safeguarding of benefits in terms of employment, housing, and medical service offered to military officers' dependents who do

not live with the Army; preferential treatment in terms of employment given to soldier's dependents who live with the Army; and so on. All these serve as compensation for the special difficulties that soldiers have to face because of their military career. Second, the safeguarding of soldier's rights and interests in their demobilization. For example, the offering of job opportunities, suitable work positions, and attractive benefits to soldiers and their families, in compensation for the unfavorable conditions soldiers have to endure when they return to normal life.

At present, in order to safeguard soldier's rights and interests, many areas and departments are actively exploring new methods and new roads. In general, these methods can be divided into two categories. The first category retains the administrative method as a means of solving emerging problems. For instance, soldiers from cities will enjoy the pay of permanent workers after they are demobilized; military officers' family members who do not live with the Army are to enjoy some preferential treatment in terms of housing; Army cadres who quit the Army to take up other jobs will get the same pay as in the Army; and so on. The second category assumes the form of economic subsidies. For example, subsidies are granted to soldier's families; soldiers from cities continue to get the same pay as before they joined the army; some development funds are established in the interests of demobilized soldiers; and so on. Although these methods are imperfect, they are still effective under the present circumstances. Now that the commodity economy is developing and a new economic structure is taking shape, the community will apply more and more economic means to regulate all kinds of relations in social life, and the preferential policies for safeguarding soldier's rights and interests will gradually be replaced by the forms of economic compensation.

This trend will help reduce the public's complaint about the practice of safeguarding soldier's rights and interests by administrative means. So the community will more readily accept the rights and interests safeguarding system for soldiers, the system will show itself as a kind of more equal and voluntary activity between the community and soldier, and a kind of fair relationship between the community and soldier will gradually be realized.

In the wake of the development of the commodity economy, all forms of safeguarding soldier's rights and interests will finally be rendered as compensation in terms of economic income and opportunities for development. By "compensation in terms of opportunities for development" we mainly mean some preferential treatment offered to demobilized soldiers with regard to special vocational training, choice of occupations, further education, and so on, and some moderately protective policies that may strengthen their position in competition for job vacancies, so that they can enjoy the same equal opportunities other members of the community do. In fact, there is a substitutive relationship between compensation in terms of opportunities for

development and that in terms of economic income. In other words, a certain amount of loss in terms of opportunity can be compensated for with a certain amount of economic subsidies. A demobilized soldier can choose between opportunity and income according to his own conditions—if he is ready to give up some opportunities and take some risk, he will be entitled to more economic subsidies; and if he chooses to enjoy more opportunities, he will secure less economic subsidy. Besides, the permanent loss of some opportunities for development on the part of demobilized soldiers can be compensated for with specially attractive economic subsidies. So, different cases of soldiers can be settled, and it will also be possible to practice a higher degree of social equity among all the soldier whose rights and interests are safeguarded.

The safeguarding system for soldier's rights and interests cannot be accomplished at one stroke but can be established step by step along with the in-depth development of the reform of the economic structure. In this process, we must not only acknowledge the current form of safeguarding (including administrative form) as a rational and necessary form but must also try not to fix all the current practices. Throughout the whole process, the creation of a new system for safeguarding soldier's rights and interests must go along with the establishment of a new economic structure and the improvement of the socialist market system in China. At the same time, all the safeguarding measures that have been adopted and have proven to be effective, for instance, the safeguarding of material benefits for servicemen, special care for disabled soldiers, and the safeguarding measures regarding vocational training, employment, and admission to academic institutes, must be turned into laws in good time. It is necessary to gradually promulgate some specific laws and regulations for the safeguarding of soldier's rights and interests, to set up special supervisory organizations, and to make these laws and regulations an important part of the state's legal system so that they will be widely accepted and observed by the whole community.

#### IV.

In the wake of the development of the socialist commodity economy, the status of all social interest groups is more and more firmly established and the limits of their interests are more and more clearly defined. All members of the community not only demand that their labor be exchanged on an equal basis but also that the obligation to contribute to social welfare and national defense be undertaken on an equal and reasonable basis. In a new social environment, the establishment of a safeguarding system for soldier's rights and interests will depend on some more fundamental prerequisites apart from all the factors we have expounded above.

First of all, it is necessary to make sure that the activities of the Army are endorsed by the whole society before the soldier's rights and interests are guaranteed by the whole

society. This implies that the Army must represent the common interests and desires of the whole society and earnestly perform its sacred duty in defending national security, in protecting the interests of the state, and in safeguarding national dignity; that the Army must earnestly undertake the duty society assigns to it and properly fulfill all tasks concerning national defense, in accordance with the requirements of the commodity economy and the principle of the social division of labor, and in other words, the Army must take care of its own affairs rather than meddle in everything; that the size and development standard of the Army must suit the state's economic strength and society's capability so as to ensure a balanced development of all sectors of the society; and that the Army's image among the public (including its equipment and training standards, the education standards for officers and soldiers, and the Army's style and discipline) must live up to the national spirit, national dignity, and the state's strength. Only in this way will the Army be able to secure a status really equal to other social groups and will soldier's rights and interests be guaranteed by a sound social basis.

Secondly, all members of the society and all social interest groups must equally and reasonably share responsibility for safeguarding soldier's rights and interests. Since the peaceful and safe social environment that the Army defends, in performing its duty, is not to be exclusively enjoyed by certain members of the society or social groups alone but by all members of the society and all social groups equally, every member of the society and every social group should fairly and reasonably share the duty in safeguarding soldier's rights and interests. There should be no unfair practice in this respect, otherwise many social contradictions will arise therefrom, and soldier's rights and interests will not be safeguarded.

Finally, the safeguarding of soldier's rights and interests must be effected by the state on behalf of the whole society. The guarantee offered by the whole society in favor of soldiers can only be effected by the state because the form of party leadership is now changing in the wake of the separation between party leadership and government administration and the state is gradually becoming the representative of the whole society and the organizer and administrator of social life as a whole. On the other hand, due to the fact that there are contradictions between short- and long-term interests, between the interests of the part and the whole, and between personal and social interests, all members of the society and all social groups will not necessarily take the initiative in fulfilling their duty with regard to the safeguarding of soldier's rights and interests. Such being the case, we still need the state to assume responsibility for guarding against such lopsidedness, to distribute and coordinate the interests of all sectors in a unified way, and to safeguard the common and long-term interests of the whole society.

By and large, the safeguarding of soldier's rights and interests is a very complicated issue which involves



socioeconomic, political, cultural, and other factors, as well as the specific structures and systems of the state and the Army. All these are conditional on social and economic development and the in-depth development of the economic and political structures in this country, and are related to the in-depth development of the Army itself as well. Thus it can be seen that the reform must be carried out through to the end, even if the matter is examined from a single specific angle—the safeguarding of soldier's rights and interests. We have no other choice.

(This article has been awarded a prize by the theoretical discussion meeting to mark the 10th anniversary of the 3d Plenary Session of the 11th CPC Central Committee. It has been abridged by our editorial staff before being published on this page.)

**Journal Discloses Northwest Military Base**  
*HK2201080289 Hong Kong KUANG CHIAO CHING*  
*in Chinese No 196, 16 Jan 89 pp 64-68*

[Article by Chang Chun (1603 2504): "Revealing the Secrets of an Important Military Base in the Northwest"]

**[Text] I Received a Permit To Enter the Chinese Communist Air Force's Mysterious Experimental Missile Base in the Northwest**

China reported in December 1988 that various PLA units conducted a military exercise in the northwest near Pakistan. The units that participated in the exercise included a chemical unit.

By chance I received a permit to visit the Air Force's experimental missile base in the northwest.

This is China's only experimental ground for testing aircraft and air defense weapons. It lies hidden in the depths of a desert and has been kept secret from the outside world over the decades.

The explosion of China's first A-bomb in the sixties and the numerous nuclear experiments conducted later, the birth of China's air-to-air and ground-to-air missiles and their upgrading, and the downing of high-altitude spy reconnaissance planes are all related to the desert base here. As a matter of fact, this is a place for issuing "birth certificates" to the sophisticated weapons of China's Air Force.

This is also a place kept absolutely secret and highly secure. It goes without saying that people coming in or going out of it are strictly examined.

After a long flight, the plane landed, bringing us to an important military base which China has never made public to the outside. When I stepped out of the plane, a dry, hot wind blew on my face. I immediately realized that this was a desert in the northwest.

Without seeing it personally, you simply would not believe that a modern missile city covered by luxuriant green trees "lies hidden" in the desert where you can hardly find any human being or plant for hundreds of li.

**The Largest Airport in the Far East**

Various kinds of aircraft were lined up in a long row in the aircraft parking area. There were big bombers, transports, China's latest model high-altitude and high-speed fighters, and jet drones. A military officer told me: This is the largest airport in the Far East.

On the way from the airport to the guesthouse, I saw poplars on both sides of the avenue. They brought coolness to the hot, dry weather. When the car entered the barracks area, the scene was entirely different—a modern city appeared before me. One could see boulevards and lawns, colorful Persian chrysanthemums and a criss-cross network of roads, scientific research and office buildings, dormitories, halls, shops, schools, athletic grounds, amusement parks.... The row upon row of buildings were well laid out. Occasionally, you could see young girls in colorful skirts passing by or a camel walking along the road as if there was no one present.

When we arrived at the red carpeted guesthouse, I was surprised that there was a standard size swimming pool with a golden pavilion at the center. It would indeed be a luxurious and pleasing joy to swim in the depths of a desert where water is as precious as oil. However, the water in the swimming pool was piercingly cold!

A cool breeze that blew gently at night got rid of the hot and dry weather of daytime. The moon was round and the stars were scattered all over the sky. The water melons produced here are sweet and tasty, so we ate our fill. "People beyond the Yumen Pass wear fur in the morning but are thinly clad in the afternoon." It is a pity that I am not good at poetry. Otherwise, I would have felt a strong urge to compose a poem.

**For Security Reasons, All Units of the Missile Base Are Represented by Arab Figures; It Is a World of "Arab Figures"**

By applying to the commander of the Air Force's experimental missile base, I, accompanied by some senior military officers, visited the base.

For security reasons, all units of the missile base are represented by Arab figures. It is no exaggeration to say that this is a "world of Arab figures." The base extends from south to north for a hundred li. Experimental and radar stations are erected one after another, and observatories and launching grounds are scattered all over the city.

When we reached the huge missile arsenal, the guard's saluted us and let us through after a careful identification and security check.



In the arsenal, the ground-to-air and air-to-air missiles were kept flat on the rack. The first air defense missiles imported from other countries and the latest Chinese-made air-to-air missiles, which have never been made public to the outside world, were well laid out. They showed the development of the sophisticated aircraft and air defense weapons of China's Air Force.

#### **Chen Shiju Leads a Special Engineering Unit to the Base**

A military officer said that construction of the base started 30 years ago. In the summer of 1958, a report on building an experimental missile base was submitted to Mao Zedong's office. After reading it, Mao gave the following instruction: "Comrade Deng Xiaoping, please ask the Secretariat to handle the matter." After a careful study, Deng Xiaoping, who was secretary of the Secretariat at the time, and other members made a decision: "The Secretariat agrees with the plan."

Hence, a special engineering unit led by General Chen Shiju set off for the site, broke the stillness of the desert, and started construction of the base. Many veteran experts, young graduates, and outstanding servicemen who had returned from the Korean war gathered here secretly.

#### **Not Long Ago a New Air-to-Air Missile Was Successfully Tested**

The base took shape through 30 years of effort. For security reasons, the units of the base had to use the English alphabetical letters as their code names.

Section A of the base is responsible for testing aircraft weapons, mainly the air-to-air missiles. The research, batch inspection, finalization, and storage of the different kinds of air-to-air missiles of the Air Force are carried out in section A. Section A entered the Northwest secretly in the winter of 1959. By the end of the year, the section had successfully conducted the first live air-to-air missile launching test. In the following year (1960), the section again successfully conducted tests with Chinese-made air-to-air missiles. From then on the Air Force was equipped with Chinese-made missiles. In the 28 years since, a series of China's air-to-air missiles came into being. The successful testing of a short-range air-to-air missile not long ago indicates that China has attained advanced world levels in its air-to-air missiles.

#### **Missile Produced by Section B Shot Down a Vietnamese Fighter in 1987**

Section B of the base is the cradle of the Air Force's ground-to-air missiles. Since its founding, the section has tested and finalized a number of different models of ground-to-air missiles. As this type of defensive weapon conforms to China's defense policy, great attention has been given to it throughout development. The ground-to-air missiles produced here have enormously increased

the combat effectiveness of China's ground-to-air missiles and performed outstanding military exploits. It has been reported that one of these Chinese-made ground-to-air missiles was used to shoot down a Vietnamese fighter along the Sino-Vietnamese border in 1987.

In the fifties, high-altitude reconnaissance planes of the Taiwan KMT [Kuomintang] Air Force flew over the mainland unscrupulously. At that time the fighters of the mainland's Air Force could not hit the target even when they reached their highest altitude.

#### **Bringing Down a Few KMT Reconnaissance Planes**

From January to March 1959, the Taiwan Air Force repeatedly sent U.S.-made RB-57D high-altitude reconnaissance planes to carry out strategic reconnaissance missions against Mainland China. These reconnaissance operations covered more than 10 provinces and municipalities, including Fujian, Guangdong, Shanghai, Sichuan, and Anhui. Taiwan's scouts even flew over Beijing twice and returned intact. The PRC Air Force sent all kinds of fighter planes to intercept the intruders, but all of them failed to hit the enemy planes because they could not fly as high as the Taiwan planes did.

However, on 7 October 1959 a fire occurred on an RB-57D reconnaissance plane during a mission over Beijing, and it crashed into the suburbs of the Chinese capital. After that, on 9 September 1962, another KMT U-2 high-altitude reconnaissance plane, which was more advanced than RB-57D and was equipped with a powerful camera, disappeared secretly over Mainland China.

What had gone wrong? The top military leadership of Taiwan and the United States were extremely puzzled at that time. Some people attributed the loss of the planes to technical problems; others thought the pilots had defected.

But on 9 September 1962, the mainland news media disclosed that a high-altitude U-2 reconnaissance aircraft was brought down by a PLA unit in east China that morning.

Some Hong Kong newspapers said this announcement was nothing but a "boast" because, as a matter of fact, the Chinese Air Force at that time did not have any fighter planes that could intercept that kind of espionage aircraft at an altitude of over 60,000 feet.

How the aircraft from Taiwan disappeared remained unknown.

In the following few years, another four high-altitude U-2 reconnaissance planes of the Taiwan Air Force disappeared over Mainland China. So people began to believe that the Chinese Communist Air Force was capable of bringing down such aircraft. But detailed information about this development was not confirmed for many years.

The answer has finally come out—all of these were downed by the Chinese Air Force's ground-to-air missile unit, which had been set up at that time. And this unit was directly related to the very secret experimental missile base established in 1958.

The missile unit was set up in October 1958. A small number of ground-to-air missiles were then imported from abroad. The unit moved to the northwest experimental missile base in the first half of 1959 and carried out the first successful ground-to-air missile test ever carried out in China. Soon afterward, it was ordered to return to Beijing and was stationed somewhere outside the capital, where it made preparations for the celebrations of the 10th anniversary of the founding of the PRC.

All these activities were kept highly secret. Even close relatives and friends of the members of the missile unit knew nothing about the missions the unit was undertaking.

China succeeded in developing its first missile in 1965. Then the missile unit began to be armed with Chinese-made missiles. Now the ground-to-air missile unit has finalized the design of a full range of new-type ground-to-air missiles. Success in tests has rapidly raised the missile unit's fighting capacity and enabled it to undertake all kinds of anti-aircraft operations in defense of important areas: the border, outlying islands, plateaus, and so on. With a long-, intermediate-, and short-range fire net covering high, medium, and low altitudes, the unit is capable of hitting large formations of intruding enemy aircraft in large quantities and of intercepting some intruding missiles.

#### Zhao Xu, Father of China's Target Drones

Missile experiments need attacking targets which provide a circumstance similar to actual combat. Aircraft used for this purpose are called "target drones."

We arrived by car at a huge workshop of the target drone testing station in the experimental missile base where many ingeniously constructed pilotless target drones were lined up ready for take off. Chief Engineer of the testing station Zhao Xu, who is known as China's father of target drones, told us: "China can now build a full range of pilotless target drones, known as the Changkong Series. These pilotless aircraft can carry out high-, medium-, and low-altitude operations, as well as large-scale [da ji dong 1129 2623 0520] and nuclear sampling missions. We no longer have to import target drones from abroad."

The first target drones used by this base were LA [2139]-17's and MiG-15M's imported from the Soviet Union. The LA-17 was a kind of target drone mounted on large bombers and then launched in the sky. Experts call this method of launching a target drone the "egg-laying style." The LA-17 was given up after a few experiments because of the deterioration in Sino-Soviet

relations. As for the MiG-15M pilotless target drone, at the beginning the experiments with it were unsuccessful because the Soviet experts failed to prevent the target drone from drifting off the runway when it was taking off. So the Soviets concluded that "this target drone could only take off from a circular runway." In their opinion, a vast circular runway had to be built with the base's existing runway as its radius. As the base's runway was the largest runway in Asia at that time, the construction of another circular runway in the base would be a really big project.

After serious studies, the experimental base managed to solve the problem of the MiG-15M drifting off the runway that the Soviets had failed to solve, and a MiG target drone finally successfully took off from the base's existing runway.

#### China's Pilotless Aircraft

But the goal of those working at the base was to build their own pilotless aircraft.

Zhao Xu and his colleagues worked for many sleepless nights to fulfill their dream. They finally finished construction of a pilotless aircraft on 6 December 1966. Named the "Changkong No 1," this pilotless aircraft could take off smoothly and carry out all kinds of maneuvers in the sky according to the orders it received. This was the first target drone ever built solely by China. Compared with the Soviet LA-17, this pilotless aircraft did not need a carrier, and thus the "egg-laying style" was given up. It could take off on its own and fly within the altitude range of 7,000-18,000 meters. With an improved engine, this pilotless aircraft's endurance was extended by more than four times, thus satisfying the needs of missile testing to a large extent. In the 1970's, two Changkong Series pilotless sampler aircraft were used to fly through the mushroom cloud rising from a nuclear bomb explosion to carry out a sampling mission under the control of a single remote controller. The sampling flight provided more accurate data for nuclear experimentation.

In the eighties, in order to provide more realistic targets of attack for missile tests, Zhao and his colleagues proposed refitting decommissioned fighter planes into pilotless target drones. They carried out their first experiment in 1984, and it proved to be a great success. Their attempt has not only expanded the variety of China's target drones but also offered an alternative for disposing of thousands of decommissioned aircraft of the Chinese Air Force.

#### Why Did the CPC Build the Base Here?

"Where there is water, there are trees; and where there are trees, men survive." I was told this phenomenon by "an old-timer on the Gobi" on our flight across the



desert to the Air Force's northwest guided missile testing base. He also said that this is the only way to find a way to survive, in case one should lose his way in the desert.

The climate of the Gobi Desert is extremely rough; here, only small cactus plants are found spread on the earth. This is by no means a place suitable for human habitation. The desert in the northwest is characterized by its scorching heat in summer; the temperature can be as high as 69 or 70 degrees centigrade, while it is usually 30 degrees below zero in winter, which lasts about 6 months. When the temperature still ranges from 20 to 30 degrees centigrade in Hong Kong in October, it begins to snow in the Gobi. The harshest of all can be a sandstorm. An impressive local popular saying about sandstorms goes: "It comes every 3 days, and lasts 3 days each time." When a sandstorm comes, it can be so fierce that trees are uprooted and houses shattered. On one occasion in 1965, 17 kg of sand had to be removed from the inside of an airplane after a sandstorm. A veteran PLA officer could not help turning pale recalling the "black sandstorm" that swept across the Gobi 10 years ago. At one particular moment, a black curtain seemed to have risen to the sky to the north of the camp. Instantaneously, sand and stones were swept up, and it was dark everywhere. Then, glass doors and windows were smashed one after another. Indoors, only red spots could be discerned in the 100 watt electric bulbs. The veteran officer was working outdoors when the storm struck, and it was too late to dash back to the camp. He could hardly breathe or stand on his feet because of the sand and wind; and he had to lie down and to breathe only with his mouth, which he had to cover with his clothes. There he laid for some 3 hours, and ran back to his room only when the wind died down a little. When the sandstorm hit some people were on a truck heading for the camp. They drove all night long, but still they were stuck at the same spot. When dawn came, they found they were just within a stone's throw from camp.

If the environment is so difficult for survival, the more so it is for testing highly sophisticated weapons. But why should the CPC have built the base here in the first place? As a complete stranger, I could not help asking the people: "How do you manage to survive here?"

The answer was very simple: We rely on the trees.

#### "How Do You Manage To Survive Here?"

A veteran officer told me about the story of how "Three Trees Determined the Site." When the decision was made to build the guided missile testing base, relevant personalities had three options for its site. Finally, the lot fell on the present site. First, a bright sky appears more often here, with a greater number of sunny days on an annual basis, which is an indispensable condition for observing guided missile tests. Second, the desert was scarcely populated, with a flat terrain. This was favorable for guaranteeing people's safety and looking for the remains of test missiles. Could human beings survive in

this locality if requirements on testing were satisfied? Experts who opted for the site met a lama here, who had been engaged in ascetic practices on the desert. Three trees were conspicuously growing in front of his "hut." The experts asked the lama: "Can trees be planted on the Gobi Desert?" The lama answered: "I have no idea about that, but standing right in front of my door are those three trees." "How can those trees survive?" "This probably is a precious plot of land, and the best locality as geomancy predicts," the lama replied. Through scientific analysis, survey of water resources, and study in the feasibility of transformation by afforestation, experts saw hope in those three trees, and the die was cast to build the camp here.

Trees may shield the sandstorms, lower the high temperatures, and regulate the climate, while their green color is also helpful to regulate people's psychology.

On the strength of their spirit of devotion, the pioneers of the base lived in tents, slept in holes dug into the earth, "took rice mixed with sand as their meals, and bitter muddy water as their drink." Stubbornly they survived, and started working at an unbelievable rate and were successful. However, what they pursued was not hardship, but a picturesque life in a garden city. In the 3 decades of development thereafter, they planted many trees, and gardening has become a most important job for everyone here.

The first batch of saplings grew, but were uprooted in a storm, leaving no traces whatever.

Trees did not strike roots in the sand here.

But the people here are worthy of the cream of the Chinese nation. In their sparetime, they succeeded in exploring wide-ranging scientific methods of afforestation on the Gobi Desert. This is no less important than the successful testing of guided missiles, and the foundation of the base's survival so to speak.

#### Another Invention Aside From Guided Missile Tests

A pit was dug into the sand, into which incense ashes and fertilizers (yellow soil was unheard of here) were placed to improve the earth, and then the right kinds and breeds of saplings were selected for planting. Eventually, 20 some varieties of plants and trees took root in the Gobi Desert. The camp has been turned into an oasis. Year after year, a green belt has effectively shielded the site from sandstorm attacks. In the summer, it helps lower the temperature inside the camp by some 10 degrees centigrade. Within the green walls today are a bank, a plaza, office buildings, living quarters for inhabitants equipped with solar energy heaters, small plots of vegetable gardens and chicken farms for self-amusement, and a nonstaple foodstuffs supplying the base with a capacity for turning out several million jin of fresh vegetables and



lots of hogs and sheep penned. There is also a television ground reception station, a public swimming pool, and a school of rather high quality.

#### **There Is Not Much Difference Here From the Outside World!**

The people here seem to have forgotten the fact that they are surrounded by endless desert, and neither do they seem to long for the hinterland beyond the desert. They said that there is not much difference here from the outside world; moreover, it is overpopulated and far too crowded there.

I went to the cultural and recreational center for a snack, and found some young people break dancing under a whirling colored lamp. I went hunting with two PLA officers with hunting rifles, and we shot five hares. I also enjoyed the romantic background music right after the morning bugle call from the loudspeaker. There really is very little difference here from the outside world!

#### **Work! Work! Work!**

An outstanding senior female engineer working in a ground-to-air guided missile test unit that I knew of was Tang Li [3282 0536]. Looking at this graceful woman, who was all smiles, one would never imagine that she could be an expert working at a department connected with guided missile actions (that is, the missile explosive parts [bao zha bu fen 3615 3498 6752 0118]). She told me: "What you see is the present, while I often have flashbacks of the past 3 decades in my mind, such as the memory of a comrade-in-arms who had devoted his whole life to work and a generation's spirit of life-time devotion to reinvigorating the Chinese nation. I was brought up in Suzhou, 'the paradise on earth.' You can imagine what difficulties I have gone through to adapt myself in this place because of the sharp contrast between 'the paradise on earth' and the Gobi Desert. But everyone here is working hard to build China into one of the world's great powers, so we have exerted all-out efforts in our work all our lives. We have worked, worked, and worked. My eldest son was 50 days old when he was sent to the base's boarding nursery. He was a boarder from the nursery through college. The time for us, as mother and son, to stay together has been less than 3 years since he was born. My younger son started 'to educate himself, to take care of himself, and to emancipate himself, while all the time boarding at a canteen,' ever since he could remember, and he was often teased by my colleagues to be a 'three-selfs and one-board' kid." Recalling her life in the Gobi Desert, Tang Li said: "I was a young girl when I first came here; now, I have turned into quite 'a dame.'" But I never regret coming here when I see China's defense growing powerful through our generation's efforts, and I am proud of us."

Not only is her generation proud itself, but also the next generation. Here there are numerous families in which both father and son or the whole family are active servicemen. Worthy of note is the fact that intellectuals of the younger generation are now capable of taking up the most responsible posts.

#### **Quite a Few Military Commanders and Experts Rest Here in Eternal Peace**

We came to the Mausoleum for Revolutionary Martyrs at the "Happy Village" to the north of the base, where quite a few military commanders, experts, and soldiers who devoted their lives to the base's construction rest in eternal peace. Several hundreds of rectangular tombs built in bricks lie side by side in utter tranquility. The atmosphere is solemn and respectful. It seemed that the tall monument was narrating their feats to us.

#### **Crackdown Will Reduce Trade With Hong Kong HK2501004189 Hong Kong HONGKONG STANDARD in English 25 Jan 89 p 1**

[By Fan Cheuk-wan of the China Desk]

[Text] The rapidly expanding trade between thousands of China-funded companies in Hong Kong and the mainland will soon shrink as a result of new measures by Beijing to curb malpractice among its enterprises.

The measures represent the sternest move in 10 years of economic reforms to increase central control over foreign trade. The Ministry of Foreign Economic Relations and Trade will send special commissioners to each province, municipality and special economic zone to monitor the issuing of import and export permits.

The ministry also set up a new organ, the Import and Export Permit Administration, to tighten control over granting procedures for trading documents.

Observers said thousands of China-funded companies in Hong Kong which had a big share of the China trade market through their special backgrounds and personal connections would be affected.

A proportion of their business will be taken over by the subsidiary companies under the China Resources (Holdings) Co Ltd, the representative agent of the Ministry in Hong Kong.

Dr Thomas Chan Manhung, prominent local China watcher and researcher at the Centre of Asian Studies of the Hong Kong University, said value of trade between China and Hong Kong would decrease in the near future with the new measures.

"As China strengthens the central control over foreign trade, the total volume of its trade with the Hong Kong will shrink with the more complicated approval procedures for import and export," Dr Chan said.

"The power to issue import and export permits will be once again centralized in the hands of the Ministry of Foreign Economic Relations and Trade, its representative companies will gain an upper hand in getting the import and export rights. For instance, the superiority of China Resources will be further enhanced."

The Beijing government last year delegated a large degree of foreign trade autonomy to provinces and municipalities.

They in turn set up numerous companies in Hong Kong to trade with enterprises of their own provinces and cities.

It is estimated that more than 1,000 China-funded enterprises have rushed to Hong Kong since early last year to gain a share in the booming China trade.

Dr Chan said the special economic zones in Guangdong had been criticized for misusing their power to issue import and export permits, which had led to chaos in the foreign trade administration.

He said the action was similar to a "rectification" in 1987, when the ministry centralized foreign trade control, giving its representative companies better opportunities than those of the provinces and cities.

But the new measures were the strictest since China started its market-oriented economic reforms in the late 1970s.

"Currently the ministry only stations five special commissioners in Dalian, Tianjin, Shanghai, Guangzhou and Shenzhen. But now it will send 30 commissioners to all provinces, cities and special economic zones," he said.

He said China suffered a trade deficit of more than U.S.\$7 billion last year, which put pressure on the ministry to improve its administration.

He expected further measures, such as increasing the varieties of commodities affected by import and export limits.

Mr Yang Zhenhan, president of the China-backed Southeast Economic Information Centre, said China had a lot of problems in its import and export trade.

Mr Yang, former director of the Shanghai Municipal Commission of Foreign Economic Relations and Trade, said sending special commissioners to work with the local governments could cut the confusion.

"The special commissioners will approve all applications for the import and export permits, so speculation will be curbed," he said.

**Coal Output Grows, Shortages Continue**  
*HK2501144389 Beijing CEI Database in English*  
25 Jan 89

[Text] Beijing (CEI)—China has become the world's second largest coal producer with its output reaching 960 million tons in 1988. This is one-third higher than 10 years ago.

Coal industry officials predict that the average annual growth rate of 4.6 percent over the past decade will continue in the coming decade.

The central government has set a target to dig one billion tons in 1990 and 1.4 billion tons of coal a year by the end of this century.

The coal sector is one of the strategic priorities in the development of national economy since coal accounts for more than 70 percent of the country's energy sources.

Township and private coal pits have in recent years developed rapidly with a combined output of 296 million tons last year.

Demand for coal in the country's heavy industry base of Liaoning Province in northeast China last year was 18.66 million tons, but supply fell short of this by 2.5 million tons. Some other provinces all suffered shortfalls in coal supply.

The shortage in coal supply has also affected China's coal export. Wei Guofu, president of China's Coal Import and Export Corporation, said that China planned to export 17 million tons of coal last year, but sold a bit more than 14 million tons.

This problem will continue to affect coal exports this year. "It'll be quite difficult to accomplish the original plan of exporting 30 million tons by 1990," Wei said.

Owing to difficulties of transport, coal stockpiles in Shanxi Province, China's largest coal producer, currently amount to more than 5 million tons. Some coal mines there have had to limit production.

Coal is principally used in four outlets—power generation, iron and steel making, domestic use (for general cooking and heating) and exports. These four outlets will require an extra 190 million tons more coal by 1990.

Officials from the Chinese Ministry of Energy Resources said that the most important thing to ease the strain on coal supply is to slow the overall economic growth.

At the same time, other measures should be taken, they said. One measure is to utilize idle funds at home and attract foreign investment. Joint-stock enterprises, in which shares are issued, will be set up in Shanxi, Shaanxi, Hebei and Henan Provinces, major coal producing provinces in China.



China now has 270,000 industrial boilers which consume 230 million tons of coal annually. If these boilers' heat efficiency could be raised from the present 55 percent to the developed countries' level of 80 percent, nearly 100 million tons of coal could be saved each year, officials said.

**Efforts Made for Spring Festival Market Supply**  
OW2501192189 Beijing XINHUA in English  
1155 GMT 25 Jan 89

[Text] Beijing, January 25 (XINHUA)—Chinese government preparations will ensure that markets across the country are well stocked for the Spring Festival which falls on February 6, according to a Ministry of Commerce official.

For this important traditional holiday, which is also the biggest shopping spree of the year, markets will be supplied with more or at least the same amount of meat, eggs, vegetables, sugar, fruit and industrial products as for the festival last year. In towns and cities meat and eggs above the usual rations will be available. Beijingers will be able to buy an additional 0.5 kilograms of state-supplied meat and Tianjin residents will get an extra 0.25 kilograms of meat and an extra 0.25 kilograms of fresh eggs.

The government will send 610 million kilograms of vegetables from the southern growing areas to the north, 20 percent more than last year.

According to the Ministry of Commerce official, vegetables are growing well in the southern provinces, except in Fujian, where they have been affected by natural disasters.

Beijing will receive 8.5 million kilograms of Chinese cabbage, the city's major vegetable in winter, a rise of 26 percent on the figure for last year. Supplies of the 40 to 50 other kinds of vegetables sold in the capital's shops will also increase, or at least remain the same as last year.

The vegetable supply will be basically the same in amount and price in the country's other two municipalities, Tianjin and Shanghai, the official said.

The southern sugar producing areas of Guangdong, Guangxi, Fujian and Yunnan will send 300,000 to 400,000 tons of sugar to the northern provinces, and the supply of various fruits also "will be guaranteed," said the official.

The supply of industrial goods will also increase in cities, including Beijing, Tianjin and Shanghai.

As well as being able to obtain their supplies from state-owned shops, residents in towns and cities can also buy meat, eggs, vegetables and fruit from the brisk free markets, where prices are a little higher.

**Article on Consequences of Joint-Stock Economy**  
HK2601131689 Beijing JINGJI RIBAO  
in Chinese 17 Jan 89 p 3

[Article by Qi Zhongliang (7871 1813 0081): "Should There be a Stratum of Rentiers in China?"]

[Text] The development of a joint-stock economy requires an open and unified market for issuing stocks and trading stocks. As stocks are issued openly to all people in society and people are allowed to trade stocks freely, this will inevitably turn many newly emerging "rich people" into rentiers. Can we accept the existence of such a stratum of rentiers in our country?

The coexistence of a variety of economic forms and the coexistence of a variety of corresponding distribution forms have thoroughly changed the income distribution pattern that lasted for more than 30 years in our country. The multipolar distribution of income has replaced the egalitarian distribution of income among the people. Such a multipolar pattern in income distribution has created and will continue to create a large number of new "people of wealth," who are composed of private entrepreneurs, individual manufacturers and traders, contractors and lease-holders of publicly owned enterprises, as well as taxi drivers and singers. No matter whether the income of these people is reasonable and commensurate to their historical role, and no matter what proportion these people account for in the populace, an undeniable fact is that the absolute number of such high-income people is rather large and they have a lot of money and will have more money.

The large amounts of money accumulated in the hands of a wealthy minority must have some outlets, which can be summarized into four types: First, the money may be spent by these people through extravagant consumption. This will not only directly cause a strained condition in the markets, worsen the shortage of materials, and affect the economic stability, but will also corrupt public conduct as many people may be prompted to spend all their money in a lavish manner. This will weaken the foundation for sustained economic development, and is harmful to both the state and the individual. Second, the money may be kept by these people in cash. This is the traditional manner of small peasants in handling their money. When prices are rising, they will not be able to maintain the value of their money, still less to see the appreciation of their assets. This is an unwise method of handling the funds. Third, savings may be another method of handling the money (the purchase of state treasury bonds is similar in character to savings). In view of the upward tendency of prices at present and in a certain period to come and the relatively low level of the interest rates for savings, people's enthusiasm for savings is rather low. Savings may be their only and reluctant choice when they find no other outlets for their money. Bank savings now are far from fully absorbing the idle funds in society. At the same time, savings represent a form of postponed consumption. When materials are in



short supply, they remain a potential threat to the market. Fourth, investment (including direct investment in enterprises run by individuals or indirect investment through the purchase of stocks in existing enterprises, and this article mainly refers to such indirect investment) represents a channel for directly turning consumption funds into production funds, thus mitigating the pressure on the market supply of consumer goods caused by the surplus consumption funds and making up for the insufficiency of production funds. Under general circumstances, investment will bring about higher yields to the investors. As compared with other methods, investment is a more rational and efficient way to handle the surplus funds. Since it gives a new driving force to, and instills new vigor into, economic development through providing a feasible channel for raising funds and building up a new structure of property rights and a new organizational framework for production, the existence of a stratum of rentiers in our society should be regarded as just a moderate cost that we should pay for the advantages brought about by investment. Some social policies (such as the tax policy) may be adopted to impose certain restraints on this stratum at the end of the economic process, and no restrictive economic measures should be taken in the economic process.

As a matter of fact, the phenomenon of earning interest income has long existed in the realm of savings, and rentiers whose livelihood depends on such income also existed. We have long given tacit consent to the existence of exploiters in the private economy. The features of rentiers in the realm of investment is not more ferocious than those of rentiers in the realm of savings, and the consequences of the former's activities are not more serious than the existence of exploiters in general terms. This fact will be accepted sooner or later, because it is a necessity in history. If we now acknowledge this inevitable tendency and work out corresponding countermeasures, we should be able to better handle the situation.

**Article on Post Office-Run Savings Service**  
HK2601041989 Beijing RENMIN RIBAO in Chinese  
20 Jan 89 p 5

[Article by Zhang Shuren (1728 2885 0086): "A Choice Conducive to Inflation Control"]

[Text] A post office-run savings service was restored in China in 1986. By September 1988 a total of 13,098 savings offices had been set up, with savings deposits totaling nearly 6.4 billion yuan. These savings are now deposited in the People's Bank of China and retained as reserve funds. Meanwhile, the existing remittance service has been improved. The savings, remittance, and other financial services run by post offices in China have been quite successful, playing a role in invigorating economic activities among residents, in increasing the central bank's reserve funds, and in exploring more sources of funds for state-run construction projects. These services have helped curb inflation.

However, the potential of the existing organizations, staff, and equipment of our postal service system in collecting savings deposits and rendering financial service is far from being fully tapped. The savings deposits drawn in by the postal service system account for only a negligible 2 percent of the country's total savings deposits. Savings service offices run by the postal service system account for less than 4 percent of the country's grass-roots financial service networks, and only 23 percent of the total number of post offices and suboffices in the country. The application of computers and other advanced equipment to financial business remains at an experimental stage confined to only a few large- and medium-sized cities. If one compares China's post office-run financial service with those in more than 70 countries and areas across the world, especially with the FRG, France, Japan, and Singapore, one can find a remarkable gap between ours and theirs. The post service systems in these countries keep a savings deposit which makes up 30-60 percent of these countries' total personal savings deposits and, apart from the savings deposit service, they also provide personal transfer and account settlement services. Savings depositors can deposit and draw money both at home and abroad. This is merely an example to show how great a role the post office-run financial service systems of these countries are playing and how they are flourishing.

For the time being, China's post office-run financial service is still at an initial and primary stage. It does not provide a full range of services and does not enjoy decisionmaking power in business operation. Post office-run financial service units are basically under the unified administration of the Ministry of Posts and Telecommunications and serve as savings collecting agents under the central bank. Their operation is based on an agreement concluded between the Ministry of Posts and Telecommunications and the bank (the current savings agency agreement will be expire by April 1989). The main source of their business income is the service charge paid by the bank, and under the current system money must be deposited and drawn through accounts opened with the bank. Everyday operation of the savings collecting units is under the control of the functional department concerned of the Ministry of Posts and Telecommunications. As for financial control, these savings offices, and other departments under the Ministry of Posts and Telecommunications alike, are controlled by a unified accounting system. By and large, the post office-run savings service is still not an independent economic entity which provides financial services on its own, assumes full responsibility for all its profits and deficits, maintains financial balance on its own, and seeks self-development. It is not a corporation vested with the decisionmaking power in business operation and in setting its own development targets.

Under the current circumstances and in view of the pressing need to check inflation, should we follow a guideline aimed at the maintenance of the status quo of the post office-run financial service, or should we take

positive measures to pave the way for the development of the present service system into a multifunctional and enterprise-type system? A decision has yet to be made between these two choices.

The post office-run financial service is a new function of the traditional postal service, a new form of the financial organization, and a by-product of the developing commodity economy. Its principal business is to take in savings deposits and to provide local residents with financial services. It has the nature of a savings bank that distinguishes it from those special credit banks which serve as credit intermediaries, rendering service exclusively to special production sectors (such as industry, commerce, agriculture, and forestry) and economic sectors (such as foreign exchange and investment). This nature enables it to play an important supplementary role in the financial field.

Therefore, we should adopt a guideline in favor of the vigorous development of the post office-run financial service. This is completely in keeping with China's reformatory orientation for development of a wide variety of financial organizations and can help improve and supplement the country's existing financial system.

Restraining inflation, reducing the credit extension scale, and bringing the development of financial organizations under control are the key tasks and an important policy for our financial work, which should also be undertaken and followed in post office-run financial service. The focal point and work planning of post office-run financial service, as well as the procedure to fulfill the development targets and the pace of development, should all conform with this policy. At the same time however, one should also be aware that post office-run financial service is not a financial organization with credit service as its major function and, what is more, it is different from many other financial and trust companies. Instead it is a financial service organization with savings business as its major function. All or at least most of the savings deposits it takes in are to be turned over to the central bank of the state to make up reserve funds. Therefore, if the post office-run financial service is flourishing and can take in more savings deposits, render a more convenient account settlement service, and save more cash, then it will play a greater role in withdrawing money from circulation, in improving currency circulation, and in strengthening the central bank's macroeconomic control and regulatory ability, and it will also play a part in restraining inflation. In this sense, our effort to vigorously develop post office-run financial service step by step and in a planned way will be a necessary move conducive to inflation control. In this connection, I would like to make the following suggestions:

1. It is necessary to follow the guideline for the reform of the financial structure laid down by the 13th CPC National Congress, to clearly define the goal of the post office-run financial service, to recognize its role, to ensure that it will develop in line with the reform of the financial structure, to start establishing a post office-run

financial service corporation which will operate on its own and assume full responsibility for its profits and deficits, and to introduce, step by step, a modern enterprise management system into this corporation. In view of historical factors and foreign experiences, we can consider restoring the postal savings and remittance service bureau that once existed in old China, so that business will be developed more smoothly.

2. The post office-run financial service should practice a joint stock system, with the Ministry of Posts and Telecommunications holding most of the shares, and be developed into a financial enterprise which is subject to the supervision and guidance of the Ministry of Posts and Telecommunications and the People's Bank, is run with the funds pooled among social organizations and individuals, and implements a level-by-level operation and management system under which the property right is clearly defined and government administration and enterprise management are separated. This enterprise's business relations with other financial establishments are to be regulated by contracts.

3. The promotion of savings and the guidance of consumption patterns should be made our priority tasks. At present, it is necessary to seize the opportunity, to give full play to our favorable conditions, to satisfy different depositors, to meet the needs of economic life, to introduce new savings services, such as different kinds of value-guaranteed savings, housing savings, wealth accumulation savings, retirement and child-care savings, and so on, to attract as many depositors as possible, and to effectively explore the potential regarding savings. At the same time, we should mend our pace in applying computer networks to the savings business, improve service efficiency, raise the proportion of post office-run savings deposit to the country's total savings deposit, and make greater contributions to the community.

4. In view of the increasing need for fund transfer service in the wake of the implementation of the policy of opening up to the outside world and invigorating the economy, and the need for inflation and currency circulation control, it is necessary to expand and improve remittance service at home, to introduce personal account transfer service while promoting the savings business. It is necessary to introduce a kind of integrated savings and remittance accounts for individual industrial and commercial households, to absorb deposits, avoid the trouble of cash delivery, and facilitate legal operation of the individual economy. We can also mend our pace in introducing an international remittance service to expand account settlement services in international trade. Meanwhile we can introduce an agency service to expand the range of post office-run financial service business.

5. With a certain amount of service charge deducted, most of the funds taken in by post office-run financial service system should be turned over to the central bank.



Besides, we can also consider the possibility of the post office-run financial service section's moderate involvement in the financial investment business when the conditions are ripe.

#### Capital in Enterprise Contracting Viewed

HK2601001589 Beijing JINGJI GUANLI in Chinese No 10, 1988 pp 27-28

[Article by Xing Yuzho (6717 3768 0587): "The Question of Capital Must Not Be Neglected in Enterprise Contracting"—edited by Xu Xiaojie (1776 1420 3773)]

[Text] Enterprise contracting helps in raising the enthusiasm of the entrepreneurs and converting a product economy into a commodity economy. It is an important part of the current deepening of the reform of the economic structure.

As a new form of the management responsibility system, enterprise contracting still has many defects and needs to be perfected. Of them a very important problem is that current enterprise contracting has not solved the problem of capital and whether or not this problem can or cannot be correctly solved. This has a bearing on the success or failure of enterprise contracting.

#### I. Any Form of Contracting Must Take Capital as Its Basic Content

The entire production process of an enterprise is in reality a process of the employment and use of capital. The condition of the employment and use of capital is the central manifestation of the production and management condition of the enterprise. Speaking from this context, the contracting of an enterprise is contracting of the employment of the enterprise's capital, that is, using the close combination of responsibility, power, and benefit to facilitate the enterprise doing the utmost to create more value with an input of the minimum amount of capital. Any kind of contracting form should not deviate from the content of capital.

At present there are, relatively speaking, many forms of enterprise contracting but the majority are developed around the profit target. As a comprehensive target, profit certainly can reflect the conditions of quality, production cost, technology and so forth and to a definite degree also reflect the conditions of the use and employment of capital, but under the conditions of the accounting principles not being able to be strictly carried out, it cannot take the place of the capital target. In economic life, the phenomena of profit being increased and the employment or operation level of capital being lowered have been frequently seen. Basically speaking, an increase in profit is determined by the development of production, by the marketability of the products and by the high or low cost of production but profit can also be increased through the expanded use of capital. Such a relationship is manifested not only in the employment efficiency of capital but also in the accounting measures.

In an enterprise's production, profit is derived from the circulation of capital and is the result of its operations. In this process, if the cost of production is artificially reduced and certain of the materials designated for consumption are allowed to exist in the form of capital in the enterprise, then this will lead to an increase in profits. Along with this, the portion of capital funds irrationally occupied or used (the special feature being the separation of value and materials, and there being only book figures but no loss in capital funds shown in actual materials) will be manifested in large amounts. This relationship between profit and capital shows that, in enterprise contracting, ensuring the normal operation of capital is of primary importance and contracting for profit, pure and simple, is greatly one-sided in character.

The normal operation of capital not only is the key to enterprise management and control but also is beneficial to eliminating false profits. It should be treated as the standard for measuring the profit level. Hence, enterprise contracting must ensure that the capital remains intact and without loss. To achieve this purpose, it is necessary not only to rectify the current state of the irrational occupation and use of capital funds but also to control or prevent new losses of capital. Only on this basis is it possible to supervise and urge the contractor to seek benefits from raising the production and management level.

#### II. The Current Problem in Enterprise Contracting Is Neglecting the Question of Capital

The contracting target is not perfect and not coordinated. Departments in charge of enterprises frequently do not stress the use and control of capital, do not emphasize the inevitable liaison between enterprise benefits and capital but put profit as the contracting target pure and simple; they only pay attention to the distribution stages and neglect the supervision and ensurance of the target on the sides of production and accounting. As a result, in certain contracting enterprises, there is a serious deviation between the profit level and the level of the occupation and use of capital.

The question of capital in enterprise contracting is concretely manifested on three sides: 1) Unclear state of assets in the contracting process. Some of the enterprises in the course of contracting do not make a strict accounting of assets and capital, and cannot correctly ascertain and examine the base figure of capital. They cannot clearly mark the demarcation line between capital before contracting and capital after contracting, resulting in the responsibility for the capital funds not being clarified. 2) The left-over problems in capital are not included in contents of the contract. In principle, what the contractor faces is the enterprise's original production level and should acknowledge the realities, including the capital capacity and the capital losses. To divide up an enterprise into several parts and to contract for only the integrated or intact parts leaving the burden to the state



is not normal contracting. 3) After contracting, enterprises do not pay attention to checking the condition of the capital. Certain enterprises have not accounted for full depreciation, failed to pay their share of impositions, and declared false profits all of which could bring about new losses in capital.

Hence, at present in certain localities, although enterprise contracting has been prevalent, we still cannot make too high an assessment of the enforcement of this responsibility system. Due to the neglect of the question of capital, a considerable number of enterprise contracts are only in form, and cause adverse effects on economic development.

1. Irrational expansion of the consumption fund. After the formation of profit in an enterprise, distribution should be carried out between the state, the enterprise and the individuals, and a large portion of it is expended on the individuals' salaries, wages, and bonuses. If the profit is false, it will lead to the expansion of the consumption fund.

2. Effects on the equilibrium of the input and outlay of credit and loan funds. When an enterprise delivers profits and taxes under false profit reports, a portion of the profits and taxes delivered is in reality an abnormal division of the capital funds and hence causes a part of the financial revenues being in fact a conversion of bank loans and there is no corresponding increase in material resources. This will aggravate the imbalance in social demand and supply.

3. Damages to the interests of an enterprise and disadvantages to the long-term development of production. Due to the checking of the contents of the capital being neglected, despite recent profit increases, large losses in capital are accumulated and piled on the enterprise and weaken the enterprise's production capability. This forms a malignant cycle in the enterprise's production and in the end will weaken the enterprise's ability to deliver profits and taxes to the state.

4. Adverse effects on the enterprise contracting system itself. The abnormal possession and use of an enterprise's capital imposes a heavy burden of capital losses on the enterprise and the enterprise's ability to make use of the capital will be increasingly diminished. After a stated period, it will be difficult for contracting to continue developing.

### III. Ways To Solve the Question of Capital in Enterprise Contracting

The existence of the capital losses as a serious problem has not come about since enterprise contracting but have occurred for a long time. This problem has obviously affected the distribution relations between the contractor and the state and the enterprise.

First, it is the continuance of the capital supply system of the enterprises eating from the same big pot at the expense of the state. For a long time the enterprise and the state formed a fixed relationship in the supply of capital, regardless of the good or bad performances of an enterprise the state supplied the capital and in the event of losses they were taken care of or cleared by the state. As a result, this caused the enterprises to neglect the question of capital for a long time and to lack the concept of capital. Hence, in an enterprise, capital management has all along been a weak link.

Second, some government departments, for the sake of establishing their political prestige, in the course of blindly seeking output value, further stressed the so-called output value and increasing profits/taxes at the same pace, and onesidedly grasped profit. They were hardly attentive to the question of handling capital and went so far as undertaking administrative intervention. Some financial departments did not earnestly formulate and carry out the plan on profit and tax. This objectively helped the growth of the tendency to simply and purely seek profit-making and loosen capital control.

Countering the above-mentioned conditions, the ways to solve the question of capital in enterprise contracting may be mentioned as the following:

1. We should first put right the guidance ideology of certain government departments. The method of heavily reporting false profits and thus sacrificing capital not only is a problem of work methodology in contracting but also manifests a sort of boastful air and selfish departmentalism. Only after the ideology of leadership departments has been rectified and put right can the direction of contracting be clarified.

2. Auditing departments and banks should strengthen their inspection of the contracting enterprises. Before contracting, they should cooperate with the finance departments to carry out checking the assets and funds; after contracting they should periodically inspect and check the condition of the capital funds. Banks as the largest creditors of enterprises and departments in charge of the management of funds should take part in the formulation of contract programs and bring up the targets relating to the checking and inspection of funds.

3. It is necessary to set up a system of targets for checking and assessing funds. In this connection, we should not simply look at the speed of the turnover of funds but should also check certain absolute figures. First, it is necessary to check if due amounts of depreciation have been written off from the fixed assets according to schedule, to prevent such phenomena as purposefully lessening the production cost and sacrificing the equipment. Second, the integrated character of circulating funds should be watched. This includes: Have current losses been dutifully handled? whether or not there are expenses which should be recorded but are not recorded, and if there are any funds irrationally taken away and

expended? If there are still old losses of funds outstanding, a plan should be mapped out to handle them and the carrying out of this plan should be checked in due time. Third, regarding the problem of distribution, it is necessary to check whether or not the various kinds of ratio standards specified by the state have been complied with, whether or not the self-owned funds have been supplemented according to the fixed amounts and whether or not production development funds have been wrongfully used. Fourth, regarding loans we should check if they have been repaid on time. Particularly in regard to loans for technical transformation, we should see if there has been any diversion from the original plan and whether or not repayment of principal and payment of interest have ever been defaulted. The above-mentioned inspection contents should be incorporated into the contracting program to ensure the perfection of the contracting system.

4. Regarding those contracting enterprises in which the historically left-over problems are big ones and have been outstanding for a long time, the finance department should help to solve them by granting a tax refund. In certain enterprises the amounts of losses in funds have been rather large and the enterprises themselves are powerless in effecting a solution. Since they are related to the portion of false receipts of the finance department, a tax refund is thus normal. In order to arouse the enthusiasm of the contracting party, we may in the contracting program treat the historical losses in funds as realized amounts of profits, so as to not affect the operation results in the process of contracting.

**Government's Enterprise Merging Function Viewed**  
*HK2601002189 Beijing JINGJI GUANLI in Chinese*  
*No 10, 1988 pp 29-32*

[Article by Ma Xuelu (7456 1331 4389) and Gao Shuangliang (7559 7175 5328): "Function of the Government in Enterprise Merging" edited by Yang Wenyu (2799 2429 3768)]

[Text] Under the socialist public ownership system, the correct display of the function and role of the government has an exceedingly important significance on the merging of enterprises. Local governments have two kinds of functions vis-a-vis all their enterprises (including those owned by whole people, collective, and other types of enterprises): First is the function of economic adjustment and control, that is, in accordance with the demands of the state's macroeconomic development regulations, exercising control of industries and trades over the enterprises, implementing the industrial policy, and utilizing various kinds of economic levers to guide and regulate the acts of the enterprises so as to lead them in the direction advantageous to the macroeconomy. The second is the function of administrative control, principally enforcing various kinds of rules and regulations, and supervising the enterprises in carrying out various kinds of production and business activities

in accordance with the law. Aside from the above-mentioned two functions, regarding enterprises owned by the whole people comprehended within the budget, the government exercises another function, that is, as representative of the owner of the assets (briefly called ownership function). This article will discuss the government's role in the merging of enterprises, starting from the government's ownership function.

#### **I. Government Must Possess the Idea and Understanding of the Buying and Selling of Enterprises' Assets**

Under realistic conditions, for the sake of the rational merging of enterprises, the government generally must adopt certain necessary intervention measures. This is the government carrying out its function as the owner. The enterprises' managers do the buying and selling of the usual run of commodities and owners of assets principally do the buying and selling of the assets of enterprises. Under capitalist conditions, those holding the final power of handling the assets of enterprises are not the managers or entrepreneurs but the owners of the assets. Without the owners' permission and recognition, any buying or selling of the assets of enterprises or enterprise merging cannot be realized. Each and every owner of assets has his eyes fixed on the enterprise and when a certain enterprise cannot earn a profit on his capital, he will consider taking back the investment, or selling the stocks, or selling the enterprise and shifting his capital investment to another enterprise that can earn profit for him. Under socialist conditions, the final power of handling assets of enterprises is likewise the owner and not the manager or the entrepreneur. Local governments of socialist countries are the representatives of the owners of the assets of enterprises owned by the whole people in the localities. The final handling power of the assets of the enterprises—that is the decision power on whether or not an enterprise should be sold, or auctioned, or placed in the market for merging—also should belong to the government concerned and not to the enterprises. Hence, the government should perform its function as owner, pay attention to the increase in the value of the assets and the benefits produced, regulate the investment direction of the assets and do the buying and selling of the assets of the enterprises. The government should not control what line of business the enterprise is engaging in or how the operations are carried out but should constantly watch the results of the enterprises' operation. If an enterprise incurs huge losses and there is no hope of recovering, the government should adopt prompt and decisive measures, or change the manager, or shift the assets to another field of endeavor.

For a long time, people had a hazy idea or understanding of the functions the government should perform as owner of the assets. Under the old structure, on the question of the government's function as owner, it was erroneously conceived that in directly managing the enterprise the government was performing the function



of owner of the assets. The result was the mixing up of the functions of the owner and of the manager with the administrative and control function, their centralization in the body of the government, making the enterprises become appendices and subsidiaries of the administrative organs and strangling to death the enterprise's vitality. Since the reform and deregulation, emphasis was laid on the enterprises extricating themselves from the status of being the appendices of administrative organs but this generated another tendency and this was, along with opposing administrative intervention with the enterprises, the owner's function over the assets was neglected. The inevitable result caused by these two sets of conditions was: Once an enterprise owned by the whole people had been formed, regardless of its good or poor performances, it had to be allowed to live on. In actual economic life, the existence of such a self-contradictory phenomenon was because on the one hand we emphasized the enlivening of enterprises and allowing them to take part in market competition and to stand the tests and trials of the market and, on the other hand, when the results of the tests and trials in the market indicated that the enterprise owned by the whole people had suffered serious losses and was on the verge of bankruptcy, we still resorted to financial subsidies as a blood transfusion to keep them living, thus taking an action, deviating totally from the signals of the market.

In Baoding City, since 1970, due to the cumulative deficits incurred by enterprises owned by the whole people in the locality, the per capita annual financial subsidy received exceeded the per capita profit retention of enterprises delivering large amounts of taxes and profits to the state. This is to say that due to the government's lack of understanding of the buying and selling of assets of enterprises, at the very least the hindrance caused to the merging of enterprises, was: enterprises in an inferior position, on account of protection from finance, were unwilling to accept merging with enterprises in a strong position; contrarily, even though enterprises in the inferior position were glad to accept merging, it could not be put into realization owing to the inability to obtain permission from the owners of the assets. It can thus be seen that for the government to possess a strong idea and understanding of the buying and selling of the assets of the enterprises is a significant matter.

## **II. In Different Stages, the Forms of the Government Exercising the Function of the Owner of Assets Are Different**

An understanding of the functions of the owner does not imply that the government can, in its capacity as representative of the owner, interfere with the enterprise without reason. In enterprise merging, how should the government display its ownership function? In our opinion, the degree of perfection in the external conditions needed in enterprise merging may generally be divided into two stages. In these different stages the form of the government exercising this function is different.

In the first stage, the government directly participates in the process of enterprise merging. This stage is the starting stage of enterprise merging. There are four special features in its external conditions: 1) Society lacks understanding of the circulation of ownership rights. Entrepreneurs and enterprises in a strong position do not have strong wishes for expansion and many people do not understand the important significance of enterprise merging. 2) The government's function as asset owner and its function in economic adjustment and control are mixed together and the separation of these two functions has not been realized. 3) The ownership right of enterprises has not been clearly demarcated and, as a result, many problems of the exact ownership of large amounts of ownership rights have emerged. 4) A market for the circulation of ownership rights has not been established. In short, enterprise merging is still a brand new lesson to the entire society and the external conditions for the normal operation of enterprise merging are very imperfect. In this stage, the government must do work on the following four sides:

First, it must employ new concepts to stir up the expansion ideas of the enterprises in a strong position and the good and talented entrepreneurs. The center of the new concept is that an enterprise itself is also a commodity. We believe that the reform has made the planned commodity economy develop to a new stage as follows: that merely pushing the production essential factors onto the market and extending the scope of market commodities from the general run of consumer goods to include means of production and essential factors still cannot embrace all commodities, and that the contents should also include the production units of general commodities—the enterprise. Only by pushing the enterprise onto the market, letting the market determine whether or not certain enterprises should exist independently, or be merged with other enterprises and enabling the assets of enterprises to freely flow from industries and trades and products of low return to industries and trades with products of high return, is it possible to make the realized average production cost be the smallest combination of essential factors and enable the existing volume of society's assets go into more effective operation. Based on this logic, the government should guide the entrepreneurs to establish the concept of an enterprise itself being also a commodity and the concept that in market competition the enterprises in an inferior position will themselves be ultimately eliminated. These concepts should be employed to encourage and stir up the wishes and boldness of entrepreneurs to merge enterprises which are in an inferior position.

Second, the operational power of enterprises in a strong position must be strengthened. Enterprises have frequently complained about their insufficient decision-making power while the government has also repeatedly emphasized the need to augment the operational power of the enterprises. In our opinion, and speaking more definitely, at present there is an even greater demand to strengthen the handling power over the state-owned



assets already in the possession of the enterprises in a strong position and the outstanding entrepreneurs, including allowing the enterprises in a strong position to employ their own funds, state funds, and funds from bank loans to buy enterprises and to merge enterprises so they they can possess an even larger amount of assets. To achieve this objective, the government can directly promote and guide the enterprises in a strong position to merge enterprises in an inferior position and as for the latter it can, if necessary, exercise the necessary intervention, including adoption of certain compulsory measures to bring about the merging.

Third, organize a new asset management structure and separate the government's function as owner from its economic adjustment and control function. An asset control bureau may be established which represents the government to specially exercise the function of owner of assets, thus separating this function from the department in charge of enterprises and realizing the separation of government's function as owner from its economic adjustment and control function. Under the asset control bureau, an asset management corporation should be set up, responsible for the safety and value of assets of enterprises owned by the whole people in the localities. The latter's basic task is enforcing the investment policy (including organization of new enterprises, buying or selling enterprises, buying or selling bonds, shares, and stocks, and so forth). The relationship between the asset control and management department and the enterprises is principally, through signing a contracting management responsibility agreement and in contractual form, to realize the separation of the ownership right from the management right, there being no intervention in the production and operating activities of the enterprises. However, in the event of the enterprise's manager failing to achieve the prefixed management target and the conditions of a serious deterioration in benefits, the asset control and management department will, according to law, exercise its ownership right, or change the manager, or decide to auction the enterprise, or decide to offer the enterprise for merging, or allow enterprises in a strong position to buy or amalgamate the enterprise.

Fourth, clearly fix and demarcate the ownership right of the enterprises and establish an exchange market for enterprise ownership rights. The principal contents include: clarifying and entering into the books the existing amount of each and every asset of the enterprise; formulating a policy to enable the enterprise's newly increased assets to be automatically clarified and demarcated; and at the same time setting up an exchange market for ownership rights of enterprises so as to provide a place for the exchange of such ownership rights. The market should periodically publish relevant information to provide a bridgework for the supply and demand parties, organize an evaluation of assets and evidences of feasibility, and carry out the legal procedure in the transfer of ownership rights.

In the second stage, the government does not directly participate in the enterprise merging activities. With

basic maturity of the external conditions needed for enterprise merging, the wishes for expansion on the part of enterprises in a strong position are strengthened and following the establishment and normal operation of the market for ownership rights, the government will no longer take part directly in the merging activities of enterprises. In the market for ownership rights, the principal body for the buying and selling of enterprises will be formed by enterprises in a strong position and management organs of state-owned assets. This is to say, the asset management corporation (naturally including asset owners of other enterprises not owned by the whole people) will put enterprises up for auction and enterprises in an inferior position for merging while enterprises in a strong position as well as owners of enterprise ownership rights such as the asset management corporation will buy the enterprises or amalgamate enterprises in an inferior position.

### III. Knowing the Internal Laws Governing Enterprise Merging; Reforming and Strengthening the Economic Adjustment and Control Function

As mentioned above, the government, besides carrying out the owner's function regarding enterprises owned by the whole people, also plays the role of economic adjustment and control concerning all enterprises. Advocating the separation of the government's owner function from its economic adjustment and control function does not imply weakening the latter function. On the contrary, government correctly displaying its economic adjustment and control function is an exceedingly important condition affecting the results of enterprise merging. Naturally, strengthening economic adjustment and control must be built on the basis of an intensive understanding of, and earnestly working according to, the internal laws of enterprise merging.

Under socialist conditions, enterprise merging, the same as a planned commodity economy, is subject to the disposition of the law of value, the law of planned and proportionate development, and the basic economic laws of socialism. Being subjected to the law of value refers to the enterprises, taking the market as the principal judge and in competition attaining a superior position before they can obtain the conditions and power for amalgamating enterprises in an inferior position. Being in a superior position or in an inferior position is the result of market competition. Moreover, the circulation of assets itself is also subject to the restriction of the law of value.

Subject to the restrictions of the law of planned and proportionate development means that the merging acts of an enterprise not only must microeconomically conform with the demands of the enterprise's individual and current benefits but also macroeconomically be in line with the demands of the entire and longterm interests of the national economy. Being subject to the restrictions of the basic economic laws of socialism means that enterprise merging not only must have economic benefits but

also must consider the social benefits, and cannot go against the objects of socialist production. Based on the above-mentioned understanding, the government's economic and control functions need to be reformed and strengthened along the following three lines:

1. Earnestly reducing the administrative intervention of the enterprises. Financial subsidies originally were a sort of tactic in economic adjustment and control, but in the case of long-term financial subsidies to enterprises' losses of a nonpolicy nature they have become the most serious administrative intervention in the enterprises' production and operation activities as well as in free competition between the enterprises. Eliminating this sort of intervention is realizing the principle of survival of the fittest in the law of value and is a key link in promoting and facilitating enterprise merging. When we consider the current imperfect state of the market mechanism and the phenomenon of the twisting of the law of value, it is found that the losses or deficits of certain enterprises are not problems of management and hence financial subsidies cannot be entirely abolished. Still, it is necessary to change the past form of subsidy. Special teams should be organized to study and examine those enterprises applying for subsidies and then determine which enterprises should be subsidized, the size of the subsidy and where the subsidized money should be expended. As for those enterprises which generally incur losses of an operational nature and themselves are not the major enterprises, their subsidies should be resolutely removed.

2. Implementing an industrial policy which carries out a directional guidance around the theme of improving the industrial structure and the structure of products. This work is the most important economic adjustment and control function which the government must perform in the circulation of ownership rights and the merging of enterprises. It is also, under socialist conditions, the innate demand of enterprise merging being subjected to the restriction of the law of planned and proportionate development. If the role of market mechanism is merely and simply depended upon, it is possible that enterprise merging may generate a blind character, because merging which is beneficial to individual enterprises may not conform with the demands of macroeconomic total interests. Therefore, it is absolutely necessary that the government, based on the development strategy and the long-term plan for economic development, carries out the necessary adjustment and control of enterprise merging. Naturally, the form of the readjustment and control should be reformed. The relevant departments should organize specialists, entrepreneurs, and workers in economic management to discuss the question of feasibility and taking the whole and long-term interests into consideration to start with, research the degree of rationality of the allocation of resources and based on the results of such discussions and studies, determine whether or not the merging of certain enterprises should be ratified.

3. Formulation of a policy to combine together the readjustment of the volume in existence of the assets and

the disposition of the increased amount of assets. In order to enable the circulation of ownership rights, it is necessary to affect a combination between the readjustment of the existing amount of assets and the allocation of the newly increased amount of assets. This is an innate demand in raising the output efficiency of assets. The realization of such a combination has a large significance on breaking the ossified and stagnated state of the existing volume of our country's fixed assets and preventing the chronic disease of inflation in fixed assets investment. To bring about such a combination, we must give the green light to the operation of a realistic policy and at the same time demand that the government carry out the correct guiding principles in the work on enterprise merging. Thus, the government should engage in two phases of work. One is to create a new policy environment and thoroughly break open the wall existing between the existing volume of assets and the increased volume of assets. In the guiding ideology, we should clearly understand that in arranging for an increased volume of assets it is necessary first of all to consider absorbing the existing volume of assets, absorb and utilize as much as possible the idle assets of enterprises in an inferior position, and avoid as much as possible the setting up of new projects. In policy, the merging and transformation of enterprises in an inferior position should be treated on the same basis as technical transformation and at the same time the combination of technical transformation and merging should be permitted, allowing the banks to provide support by the institution of special loan funds. Second, the government, in the course of giving guidance to merging should set up correct guiding principles to ensure that amalgamating an enterprise in an inferior position is more advantageous to the enterprise itself than putting up a new stand or project. For example, a firm insistence on the principle that the "two parties of an amalgamation should have basic technological conditions that are more or less alike and should possess essential factors of production which can supplement each other" will make enterprise merging produce quick results and great benefits. By so doing, the objectively existing interests will make the enterprise consciously affect a combination between the arrangement and allocation of the increased volume of assets and the readjustment of the existing volume of assets.

#### **Journal on Budget Management Reform**

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[Article by the Financial and Taxation Reform Office of the Ministry of Finance, edited by Yang Wenyu (2254 2429 3768): "Deepen the Reform of the System of Budget Management to Promote Economic Development"]

[Text] The state budget is a centralized reflection, on the financial level, of national economic activity. In our country, the financial administration's participation in the distribution and redistribution of national income is



mainly carried out through the state budget. Thus, state budget management occupies an important position in our country's financial system. This article is intended to put forward a few ideas on how to deepen the reform of the budget system.

### **I. The Implementation of a System of Contracted Responsibility is the Near-Term Target in the Reform of the Budget System**

Before 1980, our country's budget management system had unified receipts and expenditures as its basic characteristic. Under this system, the central authorities controlled things excessively and managed things too tightly. This fettered the enthusiasm of the localities for managing financial affairs and was not beneficial to the development of the social productive forces. In order to resolve this problem, and accord with and promote the reform of the economic structure, since 1980 the state has carried out two major reforms of the budget management system.

In 1980, the budget management system of "dividing revenue and expenditure between the central and local governments and holding each responsible for balancing their budgets" was instituted. This is the system which is often referred to as "separate kitchens." In 1984, in order to accord with the second step of replacing profit delivery with payments of taxes and, at the same time, taking into consideration that the conditions were not there for fully implementing a system where revenues were divided between the central financial administration and the local financial administrations on the basis of tax types, the State Council decided that in the first few years of the Seventh 5-Year Plan, throughout the country, a method of "sharing the overall revenue based on division of tax types" would be temporarily implemented. This involved dividing the existing tax types into three major categories—central administration fixed revenue, local administration fixed revenue, and common revenue for the central administration and local administrations.

The division of centrally and locally budgeted expenditures was basically the same as the system of "dividing revenue and expenditure between the central and local governments and holding each responsible for balancing their budgets." That is, apart from defense and foreign relations expenditure, as well as a few special expenditure allocations which remained under central expenditure, the expenditure for other administrative and institutional units was mainly divided in accordance with the administrative jurisdictional relationships.

For the above-mentioned division of revenue and expenditure, the 1983 final accounts of the financial administration were taken as the base figures. In cases where local fixed revenue exceeded local expenditure, an amount to be handed up to the central authorities was set down. The localities joined their local fixed revenue with the revenue jointly enjoyed by the central authorities and

the localities and linked this with local expenditure. A proportional ratio was then fixed for each region and the method of dividing total revenue was then implemented.

These two reforms of the budget management system changed the traditional budget management system which had remained in use for many years. "Eating from the big pot" was changed to "eating in separate kitchens." This stimulated quite well the enthusiasm of the various levels of government for developing the economy, fostering financial resources, and taking responsibility for handling finances, and manifested quite well the principle of linking responsibilities, rights, and interests. It also resolved the problem of annual bickering over targets and played a positive role in promoting the readjustment [tiao zheng 6148 2419] of the national economy, promoting economic structural reform and in raising the standard of living of the people. However, because it is not possible to properly link up "eating in separate kitchens" with reforms in other areas, the state macroeconomic control mechanisms are employed under conditions that are not sufficiently complete.

Thus, they are inevitably subject to the restrictions of all sorts of factors, and it is not possible, in a short time, to completely and properly handle the distribution relationship between the central authorities and the localities. Further, because of the deficiencies in the management system, some other problems have appeared during implementation. The major of these are:

1) Jurisdiction and financial powers are divorced from one another. The disparity between the financial resources collected by the central authorities and the new expenditure and tasks that have to be taken on is growing increasingly broad. The central financial resources are hard-pressed and this has weakened the macroeconomic control capacity of the central financial administration. At present, the income of the central authorities only constitutes one-third of national financial income. However, central expenditure constitutes two-thirds of national financial expenditure, and the income derived from the funds handed up from the localities is insufficient to make up the subsidies that the central authorities provide to localities for their expenditure. The central financial administration has, for repeated years, seen deficits and has no option but to maintain its expenditure by issuing debentures, borrowing funds from localities and overdrawing on banks. This has exacerbated the contradiction between total demand and total supply, resulting in an increased weakening of the central financial administration's macroeconomic regulation and control capacity.

2) Benefits and contributions are divorced. This dampens the enthusiasm for increasing income and reducing expenditure of some regions, which have good economic results and have large proportions to hand up to the central authorities. It also means that some older industrial provinces and cities have difficulty reducing the burden they bear in terms of what they have to hand up



and they have no capacity to carry out basic construction and technical transformation of enterprises. This affects the economic development stamina of these regions and also affects the growth of national financial resources.

3) The jurisdictions of the central and local authorities are not clearly divided. While in name there is separate responsibility at different levels, this is not really implemented and the problem of "eating from the big pot" has not been basically resolved. When the central financial administration has problems, the only thing to do is have the localities bail out the central authorities, or have the central authorities borrow money from the localities. Either way, the result is it increases the burden on the local financial administrations. At the same time, when the localities have difficulties, they all want some funds from the central administration. The individual localities have all sorts of ways to tap the central financial administration.

The major contradiction of the budget management system in our country at present is how to both raise the enthusiasm of localities for increasing income and guarantee the stable growth of the income handed up to the central authorities. I believe that in the present situation where the conditions are not ready for the system of dividing taxes, in the near term, the drawing of the contracted responsibility mechanism into the budget management system and establishing a contract-type budget mechanism system, is an important avenue at present for promoting the reform of the financial system and the whole economic structure. The implementation of the contract system by enterprises and the practice of the system of contracted responsibility in the distribution relationship between provinces, cities and counties, show that the system of contracted responsibility at various levels has the following superiorities: First, the system of contracted responsibility raises the transparency of the distribution relationship between the central and local authorities, and responsibilities, rights, and interests are unified. This is beneficial to motivating the enthusiasm of the local financial administrations, and especially the enthusiasm for increasing income of the regions that hand up a large proportion of their income. This will promote balanced development between regions and at the same time it will be beneficial to guaranteeing the financial income that is handed up to the central administration. Second, the system of contracted responsibilities is highly adaptable. The contract system has diverse forms, such as contracts with fixed base figures and progressive increases; contracted base figure contracts with proportional (or entire) retention of additional income; division of overall revenue with proportional contracts; fixed amounts to be handed up or fixed subsidies; and so on. All these various contract forms have their own characteristics, suited to the different regions of our countries with different economic conditions.

In a period of change during the economic structural reforms, within the contracts it will be possible to

maintain relative stability in the distribution relationship between the central administration and local administrations, and reduce the pounding on the budget management system resultant from changes in economic factors. Third, the implementation of a contract system between the central and local financial administrations will complement the contract system widely implemented in enterprises at present and will be able to resolve quite well the problems that arise in the enterprise contracts. This will be beneficial to promoting the reform and perfection of the enterprise operational mechanism. Fourth, the contract system is convenient and easy to implement.

## **II. Implementing the System of Divided Taxes Is the Orientation in Deepening the Reform of the Budget Management System**

The positive role of the financial contract system, as a transitional form during a specific period of economic structural reform, should be affirmed. However, the limited nature of the contract system must not be overlooked. The local contract system will strengthen the existing administrative division of power, which not only means that the current irrational industrial structure will be difficult to readjust, but may also produce more blind and duplicate construction. Local governments proceed from increasing the financial income of their region and provide administrative assistance to enterprises under their jurisdiction. This obstructs the rational flow of resources throughout the whole country that is not of benefit to having enterprises compete fairly from the same starting line and likewise not beneficial to the formation of a unified socialist market. Further, it is contrary to the demands of a planned commodity economy and the strengthening of the state macroeconomic regulation and control function. Thus, we must positively create conditions for the transition to the system of divided taxes. What is meant by the system of divided taxes is a system whereby, on the basis of setting down the jurisdiction of central and local authorities, and in accordance with the principle of unity of jurisdiction and financial power, the income from different taxes is allocated to either the central administration or to local administrations. Also, the appropriate tax management jurisdiction for each level of government is clearly set down, as is the scope of expenditure for financial administrations at each level. As compared to the current "division of overall revenue" system, the system of divided taxes has the following superiorities:

The implementation of the divided taxes system and the division of income sources between the central and local authorities on the basis of tax types, changes the current method whereby all of the income of the enterprises under the central authorities goes to the central financial administration and all of the income of the enterprises under the local authorities goes to the local financial administration. This will be beneficial to weakening the divisions between departments and regions, breaking down local protectionism, promoting the development

of lateral alliances that cross regions and industries, and for promoting the formation of a socialist unified market. Enterprises will not pay taxes on the basis of administrative jurisdiction relationships, but rather will pay taxes to the central and local governments in accordance with the law. This will be beneficial to improving and perfecting the economic relationship between the state and enterprises, will create conditions for fair competition between enterprises and the separation of government and enterprise functions and will increase the vigor of enterprises.

The implementation of the divided taxes system will, through rational division of tax types, allow state financial income to be collected in a timely, full and stable manner. It will guarantee the financial income of the central authorities, change the present situation whereby the central financial administration is in difficulty, and improve the capacity of the central financial administration to endure the reforms. At the same time, the localities will have a certain autonomy and will, in accordance with the local situation, be able to levy various sorts of local taxes. Thereby, they will be able to arrange their own local economic construction and really become separate levels of financial administration.

The implementation of the divided taxes system will clearly divide the scope of income of the central and local authorities and will, through a budget law, ensure that this is relatively stable. This will avoid the problem in the present system whereby the functions, responsibilities, rights, and interests of the central and local authorities are not clearly defined and there are constant disputes and wrangling. This will also be able to simplify the relationship between the budgets at various levels and will resolve quite well the problem of the local financial administrations having to bail the central financial administration out or the central financial administration having to bail the local financial administrations out.

The contents of the system of divided taxes should include:

1) Under the precondition of clearly setting down the jurisdictions of the central and the local governments, and in accordance with the principle that the scope of financial expenditure should be in accord with the jurisdiction of the government at the same level, the scope of expenditure of the central and local financial administrations should be fixed. The scope of central financial expenditure can include: expenditure for national defense, foreign relations and foreign aid; investment expenditure for the building of national-scale transport, communications, and energy key projects; expenditure on national agricultural, forestry, water, and meteorological facilities; central-level administrative management expenses; expenditure on central-level industrial, communications, commercial, scientific, educational, cultural, and health facilities; and expenditure to assist economically undeveloped areas. The scope of local

financial expenditure can include: expenditure on local administrative departments; urban and rural public facilities; basic facilities and the comprehensive handling of the environment; and local expenditure on scientific, educational, cultural, and health facilities.

2) The division of financial income between the central and local administrations. In the division of income, it is necessary to break down the administrative jurisdiction relationships of enterprises and divide the income of the various levels of financial administration on the basis of tax types. There should be taxes for the central authorities, local taxes and taxes that are shared between the central and local authorities. When the taxes are being divided, the following principles should be respected: a) All those tax types that have fairly centralized tax funds, involve state macroeconomic management and control, involve the regulation of the industrial structure and product structure of society, or involve the coordination of overall demand and overall supply should be assigned to the central financial administration. b) Tax types that involve dispersed tax funds or local and regional tax funds and tax types that are of benefit in motivating the enthusiasm of the localities for levying and managing, should be assigned to the local financial administration. c) Tax types that involve a large volume of tax funds and the amounts of which are flexible and great, and which are needed to stimulate the management enthusiasm of the various levels of government and are able to ensure that, following economic development, there will be growth in the financial income of the various levels of government, can be divided between the central administration and the local administrations. In the division of tax types, we must both guarantee that central income can continue to rise and enable local income to continue to rise. Thus, the concrete division of tax types will require a gradual process to perfect it.

3) The formulation of a rational lateral distribution and balancing method. Because of the imbalance in the economic development of different regions, after the division of the scope of income and expenditure, there will still be areas where income exceeds expenditure and others where income does not meet expenditure. Thus, it will be necessary to appropriately establish lateral distribution balancing measures. At the same time as establishing lateral balancing measures, it will be necessary to adhere to the principle of "encouraging the advanced and spurring on the backward." We must not whip the fast ox. For the small number of regions where income exceeds expenditure, we can implement a system whereby a fixed amount or gradually increasing amounts are handed up. In regions where income does not meet expenditure, a system whereby the central authorities provide subsidies can be implemented.

On the basis of stabilizing the distribution relationship between the central and local administrations, and clearly setting down the scope of budget income and expenditure, different levels of budgets should be implemented. The establishing of independent budgets at



different levels will be an important indicator of different levels of financial administration. What is meant by budgets at different levels is that the budgets at each level will be independent and will independently reflect the scale of budgeted financial income and expenditure at that level. Each level will arrange their expenditure from their own income. If they receive more, they will be able to spend more, whereas if they receive less, they will have to spend less. Thus, they will seek their own balance. In these budgets at different levels we must change the current method of budget formulation and, on the precondition of formulating an overall state financial budget, firmly separate the central budget from the local budgets. The latter will be formulated independently. A report will be made to, and the financial administration will be responsible to, the People's Congress at that level. The People's Congress at that level will then examine and approve the implementation of the budget.

### III. Positively Creating Conditions for the Transition to the System of Divided Taxes

All economic structural reforms are subject to restrictions from other factors. The establishment of a divided tax system and truly bringing its role into play requires that we do well in coordinated reform related to the divided tax system.

1) Deepening the reform of the tax system and establishing a quite complete tax system. Our idea is to implement an intermediate tax structure in which value-added tax, product tax, and business tax exist together. The income tax rates for state enterprises should be appropriately lowered and there should be a unified enterprise income tax. Also, the range over which resources tax is levied should be expanded. A local tax system should be established and perfected. The tax management system should be reformed, the management powers of localities should be expanded and local governments should be given the power to levy taxes on or exempt entities from local taxes.

2) Tax organs should be reformed and a central tax bureau and separate local tax bureaus should be established. The central tax bureau will implement vertical leadership from top to bottom and will be responsible for the work of levying of central taxes and those taxes that will be enjoyed jointly with the localities. The local tax bureaus will be led by the local governments and will be responsible for the initiating and levying of local taxes. This way of clearly setting down division of work in terms of functions and responsibilities will be beneficial to guaranteeing that the central financial administration's income is paid on time and in full.

3) In accordance with the principle of separating government and enterprise functions and responsibilities, and separating ownership rights and operating rights, and on the basis of implementing and perfecting contracted operation responsibility systems, there should be a gradual shift towards a system in which taxes and profits are

separate, in which credit is repaid after income tax and in which, subsequent to income tax payment, there are many forms of profit distribution. Thereby, the profit distribution relationship between the state and enterprises will be put in order and this will promote a situation whereby enterprises will truly become commodity producers that take their own operational decisions and that are responsible for their own profits and losses.

4) In conformity with the implementation of the separation of enterprise taxes and profits, the method by which budgets are drawn up should be reformed and double-entry budgets should be implemented. In the overall annual budgets, we should, in accordance with the different natures of financial income and expenditure, separately draw up a government appropriation budget, a capital budget, a financial budget and special accounts. In accordance with the principle of "a level of government, a level of budget", the central administration will be responsible for drawing up the central budget and the localities will be responsible for drawing up the local budgets. Each level will be responsible to the People's Congress at that level and will seek its own balance. The general state budget will be drafted by the Ministry of Finance by collecting together the budgets from all levels that have been approved by the People's Congresses at those levels.

5) A budget law should be formulated. Thereby legal stipulations will be set down in respect of the limits of authority of the various levels of government over revenue and expenditure, the principles of division of tax types, the proportional shares of the taxes to be enjoyed jointly, the drafting of budgets and the procedures for examination and approval of budgets, and this will strengthen the restraining nature of the budgets.

**Tianjin Village's Reform Results Viewed**  
*HK2001093589 Beijing RENMIN RIBAO in Chinese*  
13 Jan 89 p 5

[Article by Yu Zuomin (4416 0155 2404): "A Decade of Reform, a Decade of Tremendous Changes"]

#### [Text] Six Major Changes

Tianjin has been liberated for 4 decades. In the past 4 decades, the history of our Daquzhuang Village can be clearly divided into two stages, namely, the first 3 decades and the last decade. In the first 3 decades, we tried to become prosperous but could not. In the decade since the 3d Plenary Session of the 11th CPC Central Committee, we have really become prosperous and unexpected, enormous changes have taken place in our village. Briefly speaking, there have been six major changes:

First, the economy has developed enormously. The total industrial and agricultural output value amounted to 12.5 million yuan in the first 3 decades but it reached



200 million yuan in 1987 and topped 400 million yuan in 1988, an increase of more than 30 times over the first 3 decades. The annual tax paid to the state averaged 10,000 yuan in the first 3 decades but it was 9.97 million in 1987 and over 10 million yuan in 1988, an increase of over 1,000 times. The net income totaled 7.23 million yuan in the first 3 decades but it was 41.45 million yuan in 1987 and 75 million yuan in 1988, an increase of nearly 10 times.

Second, enterprise groups have taken shape in industry and large-scale operations have developed in agriculture. There are now 4 industrial corporations and over 150 factories. The output value of three corporations exceeds 100 million yuan each and the output value of another is 80 million yuan. In agriculture, we have 4,400 mu of land, producing 1.2 million kg of grain in 1978 and 2.4 million kg in 1988, an increase of 100 percent.

Third, cultural and educational undertakings have developed enormously. In the past, people around 50 years of age were basically illiterate. Now, young people around 30 years of age have received 9-year compulsory education, attaining an educational level at or above the junior middle school level. The whole village has invested over 2 million yuan in kindergartens and primary and middle schools.

Fourth, the people's living standards have improved considerably. The question of food and clothing had never been solved in the past but it was completely solved a few years ago. Now, all people are comparatively well off and have enough food, clothing, shelter, articles for daily use, and money to spend. The deposits of all households totaled 10 million yuan. Former bachelors have found partners in marriage and there is social security for old people in their livelihood.

Fifth, the poor village has turned into a new town. In the past, the roads in the village were full of bumps and holes and people lived in ramshackle mud houses. Now, people live in big tile-roofed houses with courtyards, multi-story buildings, or small villas, with a floor space of 26 square meters per capita. Scores of streets and lanes in the village are paved with asphalt.

Sixth, the quality of the people has improved substantially. In the past, the people's greatest skill was to carry big baskets and bear great hardships. Facing the yellow earth with their backs toward the sky, they tilled the land from one generation to another. Today, they have become entrepreneurs, engaging in industry, commerce, and the commodity economy. In our village, 10 people work as managers and over 100 people work as factory directors. Five persons have been selected outstanding peasant entrepreneurs in Tianjin Municipality, one has been selected the nation's best peasant entrepreneur, and another has been selected the nation's outstanding young factory director. Many people are keen on studying economics, science, and technology.

#### Changes Come From Reform, Which in Turn Effect Changes

Visitors always ask: "Why have such major changes taken place in Daqiu Zhuang Village in the past 10 years?" My answer is: Fundamentally speaking, this is attributed to a whole set of principles and policies laid down since the 3d Plenary Session of the 11th CPC Central Committee. Changes come from reform, which in turn effect changes.

The greatest contribution of the 3d Plenary Session of the 11th CPC Central Committee is to put forward the need to seek truth from facts and emancipate the mind. Without this, Daqiu Zhuang village would not have been what it is today.

The first 3 decades prior to the 3d Plenary Session of the 11th CPC Central Committee can be divided into three stages. In the first stage, there was land reform and cooperation movement. At that time, people's living standards improved and the peasants strove to become prosperous. In the second stage, the practice of "giving arbitrary and impracticable directions" and "making a poor transition" was so bad that it undermined the productive forces and brought disasters to the masses. In the third stage, the "great cultural revolution" brought calamity to the country and the people. For 10 years, production stagnated, the living standards failed to improve, and people lived in increased poverty. Why? The practice of "taking class struggle as the key link" and the "dread of capitalism" led to the "tendency to criticize prosperity." At that time, prosperity was linked to capitalism and poverty was linked to socialism. There were various remarks, such as poverty gives rise to revolution and prosperity gives rise to revisionism; poverty is glorious and prosperity is disgraceful; poverty is something to be praised and prosperity is something to be overthrown; and "we would rather have socialist weeds than capitalist seedlings." To what a preposterous extent they reached! At that time, criticism of prosperity in the rural areas was conducted from three aspects. First, criticism of the "theory of productive forces" led people to erroneously think that engaging in production did not conform to Marxism. As a result, truth was regarded as falsehood. This caused great chaos in people's minds. Second, those taking the lead in developing production were attacked in an organized way. A large number of cadres taking the lead in getting rich were criticized and denounced at public meetings, penalized, and dismissed. Third, avenues toward prosperity in the rural were practically blocked up. "Making grain the key link" was one-sidedly stressed and all money-making channels were plugged. All practice involving money was regarded as capitalist and all legitimate industrial production and sideline occupations were regarded as the appendages of capitalism. Moreover, Jiang Qing also called on people to learn from Xiaojin Zhuang Village. In the space of 3 months, a contingent of 860 actors and actresses came out of 1,200 full-time and part-time laborers. Not only children, young people, and women

but also old people should take the stage and put on performances. Whoever could perform on the stage would be given 10 workpoints. Under these circumstances, who wanted to engage in production? How was it possible for the rural economy not to lose its vitality?

The 3d Plenary Session of the 11th CPC Central Committee has shifted the focus of the party's work to economic construction. This has greatly emancipated people's minds. A very important point is that people understand that poverty is not socialism and that the aim of socialism is to enable people to live a prosperous, happy life. To engage in socialist construction, it is first necessary to develop the productive forces and to get rich through labor. Only when production develops and material wealth increases is it possible for all people to live a comfortable, happy life. The meeting has pointed out the way to prosperity to us, opened the gate to prosperity, and brought us hope. The decade since the 3d Plenary Session of the 11th CPC Central Committee is the decade in which Daquizhuang Village has become prosperous through reform.

#### **The First Reform: Developing Village Industry**

For a long time in the past, "taking class struggle as the key link" and "making grain the key link" were practiced in the rural areas. The two key links brought setbacks and poverty to the rural areas. That is why I said: "Taking class as the key link has made people flurried;" "making grain the key link has impoverished people." The two "key links" boil down to this: You can only engage in unitary and not diversified undertakings. If you want to get rich, you should rectify the two "key links." Therefore, I regard the development of village industry as the first reform in Daquizhuang Village in the past decade.

Facts have also fully proven that without the development of village industry it would have been impossible for the rural areas to become prosperous. A comparison of Daquizhuang's total industrial and agricultural output value in the 9 years between 1979 and 1987 can clearly explain this question. The total value was about 480 million yuan. Of this, the industrial output value was 440 million, accounting for 92.6 percent; the agricultural output value was about 7 million yuan, accounting for 1.3 percent; trade was over 9 million yuan, accounting for 2 percent; and the output value of other trades and professions was over 19 million, accounting for 4.1 percent. Please imagine, had we exclusively engaged in agriculture, our annual output value would have averaged only 0.7 million yuan. Can we rely on 0.7 million yuan in agricultural output value to make the 3,000-plus villagers in Daquizhuang Village prosperous?

Apart from the fact that we started the village industry at an early date and that we have been blessed with some special opportunities, the reason for so rapid development in our village industry is that, as far as the general conditions are concerned, we have fully brought into

play the special advantages of township and township industry over the industry owned by the whole people under the old structure. These advantages are: 1) We are truly independent in operations and management; 2) we are genuinely responsible for profits and losses; 3) we have more satisfactorily embodied the principle of distribution according to work and effect; and 4) we have brought into play the role of market regulation and competition. The rapid growth of township and town enterprises should not invariably be regarded as due to unhealthy practices. The unique operational mechanism, managerial mechanism, and distribution mechanism of township and town enterprises are precisely their advantages and provide these enterprises with vitality.

At present, like the township and town enterprises all over the country, Daquizhuang's Village industry is facing a new challenge and test. The 3d Plenary Session of the 13th CPC Central Committee has put forward the task of improving the economic environment, rectifying the economic order, and deepening the enterprise reform. This means that urban enterprises will advance still further toward modern commodity economy and that the energy and advantages of state enterprises will be brought into better play. In the face of this competitive situation, we should face contradictions squarely, analyze problems, and work out new measures. Viewed from the specific conditions in Daquizhuang Village, we should gradually achieve two strategic shifts in the future: First, we should gradually develop the export-oriented economy and, second, we should gradually develop technology-intensive industry. We should especially rely on science and technology to increase output, improve quality, and attain better effect.

#### **The Second Reform: Conscientiously Strengthen Agricultural Foundation**

The fact that Daquizhuang Village engages in industry has given rise to a lot of comments and even risks. One of them is that Daquizhuang Village does not attach importance to agriculture. When we developed industry instead of "making grain the key link," many people could not understand.

As I see it, giving up "making grain the key link" does not mean that we should not attach importance to agriculture. Agriculture is the foundation of the national economy. Agricultural production has stagnated since 1984 and some farm produce has been in short supply in the last few years. This shows that, as the foundation, agriculture should be strengthened rather than weakened. The development of village industry is not in contradiction with the development of agriculture. On the contrary, they complement each other. In fact, without the development of village industry, it would have been difficult to develop agriculture. Not only has the development of village industry in Daquizhuang Village



not adversely affected the growth of agriculture, but it has enabled agriculture, including grain production, to grow markedly. Both industry and agriculture have developed together.

On the basis of developing village industry, we have invested several million yuan in agriculture over the past 10 years, building or installing five small- and medium-sized pumping stations, 4,700 meters of leak-proof channels, 2,000 meters of underground water pipe, and 47 branch canals. In the event of a severe drought, it will take only 5 days to water all the cultivated land in the village. Over the past few years, we have bought 24 tractors, 5 combine harvesters, 2 corn harvesters, and 41 complete sets of machinery. The mechanization level in both grain production and field operations is over 95 percent. It takes only 7 days to sow 4,000 mu of wheat and 4 days to reap it. It takes 15 days to finish gathering in and threshing corn from 3,000 mu of land, as well as delivering the stalks to the fields. As a result of agricultural mechanization, over 90 percent of the 1,200 laborers, who formerly engaged in farmwork, have shifted to industrial, commercial, and cultural work.

Numerous reforms of the agricultural structure have also been conducted. The early growth of village industry has made it necessary to shift farm laborers to other fields of production. Moreover, we already have some foundation in agricultural construction. Therefore, in light of our own specific conditions, we have taken the road of large-scale operations instead of taking the road of fixing farm output quotas for each household. However, on the mode of management, we still adopt the method of "integrating unified management with the contract system." At the first step, we divide 11 production teams into 25 operational groups, which are run and managed by group leaders. At the second step, we put the cultivated lands together and contract them to several groups' expert farmhands. In the third step, with the installation and improvement of the farm machinery service system, field management is contracted to scores of expert farmhands. Now, all agricultural work is run by an agricultural company consisting of only nine people.

Daquzhuang's agriculture takes the road of intensive farming and its development is rapid. Its grain output, which was 1.2 million kg 10 years ago, rose to 2.4 million kg in 1988. In addition to that, it also has 300 mu of fruit trees, over 100 mu of vegetable gardens, and 2,300 mu of fishing ponds. In the past 2 years, it has opened up another 1,400 mu of wasteland. The prospects for agriculture are tempting.

#### **The Third Reform: Bring People's Potential Into Full Play**

The fact that a poor, backward low-lying land in the past has turned into a modern rural area and the previous farmhands have turned into entrepreneurs shows that people have enormous potential and that this enormous

potential has been brought into full play. The tremendous changes in Daquzhuang Village are the result of this potential having been brought into full play. Bringing this potential into play is both an important element in and a positive achievement of the reform. The reform of the economic structure is, in the final analysis, aimed at straightening out various relationships so that people's initiative can be brought into full play.

What should we do to bring people's initiative into full play?

In terms of distribution we should discard the practice of everybody eating from the same big pot and strive to establish a distribution pattern of a socialist commodity economy. Under the previous collective economy, characterized by the workpoint system which imposed neither a ceiling nor a floor in distribution, people did not get more pay for more work, nor did they get less pay for less work. Who had enthusiasm for labor? Therefore, in conducting reform, we should thoroughly rectify the practice of everybody eating from the same big pot, genuinely implement the principle of giving more pay for more work and less pay for less work, and dare to widen the pay gaps, to reward the diligent, and to penalize the lazy. I often cite two examples. The first is Ma Deliang, who contracted for 137 mu of cultivated land in 1983. Since he produced 49,000 kg of grain that year, in accordance with the provisions of the contract, he had the right to receive 15,500 yuan in remuneration. Did we dare to fulfill the contract? We not only dared to fulfill the contract in full but also presented him another 1,000 yuan in reward. The second is Yu Zuoan, who contracted for 18 mu of land. Since he produced only 1,580 kg of grain, he could only get 525 yuan in remuneration, which was the lowest income in the village. And, because he did not fulfill the contract target, we fined him 148 yuan. There was a difference of nearly 30 folds between their incomes. This is truly a case of not imposing a ceiling or a floor in distribution and an act of thoroughly smashing the egalitarian practice of everybody eating from the same big pot. The distribution principle of Daquzhuang village is to "link output quotas to labor power and progressively increase or reduce remuneration." Though there are different trades, work types, and contract targets, the basic pay is more or less the same. Whoever can fulfill the contract targets will receive their basic pay. Those who overfulfill their quotas will get rewards. The more their surplus, the more their rewards and cash incomes.

In management structure, Daquzhuang Village has a method which can be summed up as follows: "Exercise unified management, contract jobs along specialized lines, link output quotas to labor power, and progressively increase or reduce remuneration." It can also be summed up into three characters, meaning "unified management, delegation of power, and linkage." To put it more specifically, "unified management" means that the controlling corporation should exercise unified management, that the means of production belong to the



corporation, and that the development plans and operational principles and methods should be worked out by the controlling corporation. "Delegation of power" means that the controlling corporation delegates power to branch companies, which delegates power to the head factories, which in turn delegates power to branch factories, so that all levels have decisionmaking power in operations. "Linkage" means that benefit should be linked to labor power so that people's remuneration can be in line with their work and that people can get their labor income according to their contributions. This set of

systems has enabled all people to work with furious energy, especially the managers and factory directors. Everyone has solidly fostered the idea of developing the commodity economy and the consciousness of competition of constantly forging ahead. Competition has magic power. It brings forth talented people, technology, and effect. Competing in the commodity economy is like sailing against the current. People dare not relax their efforts even if they want to. That is why our economic growth has motive force, why we should persist in reform, and why there are prospects for reform.

### East Region

**Jiang Chunyun Addresses Shandong Party Plenum**  
*SK2301014689 Jinan DAZHONG RIBAO in Chinese*  
27 Dec 88 pp 1, 2

[Text] Jiang Chunyun, secretary of the provincial party committee, made a speech at the first plenary session of the fifth provincial party committee on 25 December. The content of the speech is as follows:

**Comrades:**

The 60 comrades who are seated here constitute the fifth provincial party committee, elected at the fifth provincial party congress. The 10 Standing Committee members constitute the Standing Committee of the fifth provincial party committee, elected at the first plenary session of the fifth provincial party committee. The party and the people have placed great faith and trust in us. All party committee members, particularly Standing Committee members, have a grave responsibility. There is a big gap between our work level and ability and the tasks we have undertaken. We are burdened with great pressure. Luckily, there are the correct leadership of the party Central Committee; the good work foundation laid by the fourth provincial party committee; the support provided by veteran comrades with rich experiences; and conditions for having good party members, cadres, and people. Only when we unite as one, make concerted efforts, and bring our advantages into full play can we carry out our work in the future. I hope that party committee members and Standing Committee members will cooperate to make a determined effort, fulfill their duty, and certainly live up to the expectations of the party and the people.

Now, I am going to explain the preliminary opinions of the Standing Committee of the provincial party committee and the suggestions on future work.

**I. We Should Form a Connecting Link Between What Has Gone Before and What Will Follow, and Strive To Consolidate and Develop the Great, Gratifying Situation in Shandong**

Comrade Liang Buting delivered a report on the work of the fourth provincial party committee to the fifth provincial party congress. The congress unanimously approved the report and fully affirmed the work of the fourth provincial party committee. I deeply sensed that Comrade Su Yiran and Liang Buting, who successively took charge of the work of the fourth provincial party committee, have rich experiences in leadership; that they have done a lot of effective work regarding uniting and guiding members of the provincial party committee to implement the party's line, principles, and policies, linking the instructions of the central authorities with Shandong's reality, guiding and organizing the vast number of party members, cadres, and people to conduct

reforms, blaze new trails, build the four modernizations, and promote the development of the province's economy and other undertakings; that they have set an example for us; and that they have accumulated valuable experiences. The fifth provincial party committee should learn from them. Some old comrades of the provincial party committee, the provincial Advisory Commission, and the provincial Discipline Inspection Commission are respected because they value the interests of the whole situation and all undertakings above everything else, give no thought to their personal gains or losses, and have the noble character and sterling integrity of positively promoting the replacement of the old leading body by the new and the cooperation between the old and the new.

Comrades, the tasks ahead of the fifth provincial party committee are to resolutely implement the guidelines of the 3d plenary session of the 13th party Central Committee; to comprehensively implement the resolution of the fifth provincial party congress to carry forward the revolutionary cause pioneered by our predecessors and to forge ahead into the future; to strive to consolidate and develop the great, gratifying situation in Shandong; and to mobilize and guide the party organizations at various levels and the vast number of party members, cadres, and people throughout the province to develop and rejuvenate Shandong. According to the resolution adopted at the fifth provincial party congress and based on the work achievements made in the preceding stages, in the next few years we should strive to make new progress and breakthroughs in the work as follows: 1) Improve the economic environment, rectify economic order, clear up the situation of the overheated economy and some confused phenomena, and ensure a sustained and steady development of the province's economy. 2) Readjust the economic structure, upgrade economic results, increase effective supply, and alleviate the contradictions between supply and demand. In particular, we should vigorously strengthen agriculture's role as the foundation of the national economy. 3) Further deepen reforms, expand the scale of opening up to the outside world, and accelerate the changes from the old systems to new ones. 4) Persist in technological progress, develop education, and carry out the principle of "rejuvenating Shandong through developing science and education." 5) Strengthen the development of spiritual civilization, intensify democracy and the legal system, and create a good social and political environment. 6) Strengthen the improvement of the party's ideological style and organizational discipline and bring into full play the party organizations' role as powerful fighting force and the party members' exemplary vanguard role.

In sum, we should go all out to fulfill the various tasks set forth by the fifth provincial party congress, constantly promote the progress of the province's economic and social undertakings, and ensure that stability and unity are constantly consolidated.

## **2. We Should Attend to the Initial Work for Next Year in an Effective Manner**

The new year is about to begin. In judging 5 years of work, we should cast our eyes primarily on the work of the first 3 years, and when judging 3 years of work, we should cast our eyes primarily on the work of the first year. This means that next year's work has an extremely important significance to the work for the coming 5 years. It must be noted that next year's work tasks will be extremely arduous, and there will be quite a few difficulties in the course of our advance. In particular, in the next year our province will be confronted with a serious drought in developing agriculture; with shortages of funds, energy resources, and raw materials; with confused order in the circulation sphere; with relatively more instability in market prices; and with comparatively complicated contradictions in the superseding of old economic systems by the new. We must have sufficient understanding and appraisal with regard to these difficulties. At the same time, we should not lose sight of the numerous favorable conditions for next year's work. For instance, our province has a solid material and technological foundation and great potential for developing industry and agriculture. Our people have a strong will to develop an excellent situation. Leaders at all levels have accumulated a wealth of experience. Along with the in-depth implementation of the guidelines of the 3d Plenary Session of the 13th CPC Central Committee, the economic environment and economic order will be further improved, reform will be constantly deepened, and the economic vitality will be further strengthened. All these favorable conditions will provide us with the possibility to surmount difficulties and make continuous progress. It is wrong to underestimate the difficulty of next year's work and to be unrealistically optimistic about it. However, it is harmful to lose sight of favorable conditions and then become inactive and afraid of difficulties. We should correctly estimate the current situation, unify our understanding, strengthen our confidence, and press forward in the face of difficulties. We must handle correctly the relations between difficulties and opportunities, carry forward the pioneering spirit, and do much work to solve contradictions in order to reorient all economic and social undertakings to the path of a benign cycle.

There will be many work tasks next year. As far as the provincial party committee is concerned, it should firmly and unswervingly implement the guidelines of the 3d Plenary Session of the 13th CPC Central Committee, be resourceful and decisive in doing its work, and give prominence to solving major contradictions. In the course of solving ordinary problems, it should concentrate its energy on solving those problems that have a bearing on overall interests and cry for an urgent solution. Next year, we should emphasize the following eight matters.

First, we should take an important step in improving the economic environment and rectifying economic order. The 3d Plenary Session of the 13th CPC Central Committee determined that in 1989 and 1990, we should

focus the reform and construction on improving the economic environment and rectifying economic order. This is a policy decision of strategic significance adopted by the party Central Committee. We must deeply understand this policy decision and firmly implement it. It should be said that the current provincial situation is good; however, there actually are such problems as the overheated economic growth, inflation, and inordinate price hikes. During the next year, we should go all out to improve the economic environment and rectify economic order. We should be resolute in curbing and controlling the scale of investment in fixed assets; strictly control the increase in credit and consumption funds; vigorously readjust the economic structure; strive to increase effective supplies; conscientiously clear up and consolidate various kinds of companies; further attend to the general inspection of prices, finances, taxes, and banking affairs; strengthen and improve market management; and stabilize market prices. Through improving the economic environment and rectifying economic order, we should ensure that the rate of price increases next year will be obviously lower than in this year, and that order in the circulation sphere will be obviously better than in this year.

Second, we should be determined to strengthen the agricultural foundation and guarantee a good harvest in agriculture, particularly in the production of grain, cotton, and oil-bearing crops. Since the 3d Plenary Session of the 11th CPC Central Committee, our province has greatly developed its agriculture. However, because of various reasons, such as comparatively low profits in the cropping industry, a reduction in input, and insufficient efforts to support agriculture, agricultural production has fallen short of the needs of industrial development and the people's livelihood. A serious drought and water shortage have severely affected the agricultural situation. Because the agricultural problem has a vital bearing on the overall economic situation and social stability, we must place it on the agenda of the party and government leaders at various levels. The provincial party committee should discuss rural economic work at regular intervals. We will hold a provincial rural work conference next January. The top (party or government) leaders of various cities, prefectures, and counties will attend this conference to relay and implement the guidelines of the national rural work conference and to summarize and exchange experience. They will also make decisions on how to strengthen agriculture and push it to a new stage in an effort to realistically strengthen agriculture in terms of leadership, policies, science and technology, input, and support work. It is necessary to try all possible means to overcome serious drought and other natural disasters and to reap a bumper agricultural harvest next year.

Third, we should exert strenuous efforts to readjust the economic structure, improve economic results, and increase effective supplies. Recently, the central leading comrades pointed out very important guidelines, that is, we must exert efforts to make readjustments in the



course of improving the economic environment and rectifying economic order. They also pointed out: "The key lies with readjustment, including readjustment of the production setup, investment structure, credit structure, and product mix." These are the correct policies which we must adopt in improving the economic environment, rectifying economic order, improving economic results, and preventing economic stagnancy or inflation. We should study and understand these policies well. The provincial government has made arrangements for all cities, prefectures, and counties and for all trades and professions and various enterprises and has urged them to work out detailed lists in line with the state production policies to determine what they should cut back, guarantee, readjust, and develop in the course of readjusting the product setup, enterprise structure, product mix, investment structure, credit structure, and material structure. They have been asked to formulate relevant policies and to implement them with strenuous efforts. Through readjustment, we may optimize the organizations, achieve improvements, reduce consumption, raise economic results, and increase effective supplies. We should grasp this work early and try to take the initiative in doing it in order to achieve early results. We will suffer losses and be in a passive position if we grasp it late. The provincial planning conference should stress this readjustment spirit and accelerate our province's pace in developing its economy from increasing equipment, establishments, and production rate to tapping internal potential and increasing economic results.

Fourth, we should deepen reform, expand the opening up, and continue to add vitality to the economic development. We must clearly understand that our improvement and rectification work will create favorable conditions for reform and opening up. The contradictions and difficulties in our current economic life can only be solved through reform and opening up. We should properly handle the relations between the work of improving the economic environment and rectifying economic order and the work of conducting reform and opening up, and safeguard our reform achievements. All reform and opening up policies, except those which are explicitly proscribed by the central and provincial governments, should be implemented continuously. We should not change them arbitrarily. We should support the reformers and pioneers and not dampen their initiative. In next year's rural reform, while consolidating and improving the family-based contract responsibility system, we should also achieve new progress in developing centralized and decentralized management; service networks; integration of agriculture, industry, and commerce; and large-scale management. In enterprise reform, we should introduce the mechanism of competition, implement the risk-taking mortgage system and the enterprise leasing system, and develop mergers and cooperation. We should also try out the stocksharing system, optimize labor organizations, and experiment with the experience in linking standardized management with work performance. We should also popularize them

on a larger scale. Meanwhile, we should grasp all supportive reforms and the political structural reform. All in all, we should center our work on emancipating and developing the productive forces and do a better job in the structural reform and opening up.

Fifth, we should pay attention to intellectual development and positively promote the development of science and technology and education. According to calculations by relevant departments, currently 33 percent of the province's industrial increase and 36 percent of its agricultural increase were registered through technological progress. This indicates that science and technology play an increasingly more important role in economic development and that our agricultural and industrial increases depend primarily on funds and material and labor input. Thus, next year both the agricultural and industrial fronts should prominently attend to technological progress and tend to depend on science and technology. Each trade, enterprise, and countryside area should select, popularize, and apply, as soon as possible, several advanced technologies with realistic significance. Conditions permitting, localities and units should develop high-technology industry and products. The key to promoting technological progress hinges on skilled persons and education; therefore, we should continuously develop education of various categories at each level and strive to create conditions for educational development. Pingdu County's experiences in mobilizing the entire party and all the people to develop education should be further popularized across the province.

Sixth, we should vigorously strengthen work in the ideological field and create a good environment for mass media. So far, personalities of various circles in society are ideologically enlivened and the main trend of mass media is upward movement. However, some ideological tendencies that cannot be ignored are emerging. Party committees at various levels should exert great efforts next year to studying the ideological trend and to strengthening ideological and political work and the work related to social media. We should adopt a clear-cut attitude toward what we advocate and what we oppose. We should bravely tell the truth, and be good at telling truth from falsehood according to principles. We should support and carry forward the thinking and public opinion that are conducive to reforms and construction, criticize and correct negative and harmful thinking and public opinions, foster justice, and check perverse trends. Education on the current situation, the "four haves," democracy and the legal system, and thrift and arduous struggle should be linked closely with the work of improving the economic environment, rectifying economic order, and deepening reforms; with the solution of ideological and practical problems; and with the launching of various campaigns loved by the masses. We should strive to score firm achievements in education. We should pay particular attention to strengthening the ideological and political work among workers, peasants, and young students and strengthen the construction of the ranks of political workers.

Seventh, we should conscientiously achieve the overall improvement of public order. Our province's social order is generally good; however, there are some unstable factors. The work of public order during next year must be enhanced, not ignored. Serious criminal offenders and economic criminals should be punished according to law and dealt with resolutely. Meanwhile, we should rely on the forces of the entire society to comprehensively improve public order. We should continuously implement the relevant documents issued by the provincial party committee in 1988, generally strengthen the basic work among the grassroots, implement the measures for ensuring safety and improving public order in each unit, quickly and actively eliminate unstable factors, and help the grassroots solve their problems at the outset.

Eighth, we should resolutely attend to the construction of party style with the focus on keeping party and government organs honest and clean. Unhealthy practices exist within the party. In particular, some individuals and a small number of party members and cadres indulge in luxury and corruption or act in defiance of law and discipline. All this seriously damages the party's prestige and the relations between the party and the masses. In line with the spirit of administering party affairs strictly, we should firmly attend to the rectification and improvement of party style. The experiences gained by Tancheng and Changle are significant in guiding the general work of the province. Therefore, the provincial party committee is preparing to convene an on-the-spot meeting at a proper time to popularize the experiences. The typical examples of maintaining honesty should be commended, and the bad examples of abusing one's power for selfish ends or of violating the law should be handled strictly. Party committees at various levels should make efforts to grasp, manage, and build the party. Leading organs and cadres should play an exemplary role in this regard. Party organizations should bring into full play their role as a fighting force, while the party members should bring their exemplary vanguard role into full play in order to promote a turn for the better in party style.

### **3. We Should Actually Strengthen Self-Construction Among All Members of the Provincial Party Committee**

In explaining the personnel arrangements of the new term of the provincial party committee on behalf of the fourth provincial party committee, Comrade Liang Buting pointed out: "We should build the provincial party committee into a strong collective that has a reasonable structure, enjoys the people's trust, is small in number but efficient in work, and is able to make correct policy decisions for party building, economic construction, social development, and other major issues of strategic importance." This is a very high demand. We should strive to improve our ideological style and strengthen organizational building in line with this demand.

A. We should firmly implement the line, principles, and policies defined since the 3d Plenary Session of the 11th CPC Central Committee, and should maintain political

unanimity with the party Central Committee. All members of the provincial party committee must handle major affairs in line with the instructions of the central authorities, submit themselves to the macroeconomic regulation and control of the whole country, creatively conduct the work in line with the reality of our province, and strive to be responsive to both higher and lower levels. They should conscientiously strengthen the sense of party spirit, the sense of overall interest, and the sense of discipline; should give up partial interest for overall interest; and should strictly enforce directives and prohibitions.

B. We should persist in democratic centralism. We should give full play to the functions of the provincial party committee in making policy decisions. The Standing Committee of the provincial party committee should regularly report its work to the plenary meeting of the provincial party committee. The provincial party committee should hold, in principle, a plenary meeting once every 3 months to examine, discuss, and decide the matters concerning the implementation of the instructives and decisions of the central authorities, concerning the important work arrangements of the whole province, concerning the annual plans and long-term programs, and concerning major policies and regulations. Entrusted by the provincial party committee, its Standing Committee should be responsible for handling the routine work of the provincial party committee. The Standing Committee of the provincial party committee should carry out collective leadership and the division of work with individual responsibility. All major questions should be decided through collective discussions, instead of being decided by individuals or by a small number of persons. At the same time, we should give play to the role of every leader, and encourage every leader to assume responsibility for performing their assigned duties. Work regulations, work agenda, and meeting mechanisms of the provincial party committee should be formulated after special studies.

C. We should eliminate waste and corrupt phenomena, and maintain high standards of ethical and professional integrity. All members of the provincial party committee, members of its Standing Committee in particular, should energetically carry forward the fine traditions of hard work and thriftiness, arduous struggle, serving the people, and seeking no personal fame and gain; should strictly abide by party, government, and legal discipline; should refrain from abuse of powers for personal gain, from waste and extravagance, from hosting banquets and sending gifts with public funds in violation of regulations, and from accepting bribes; and should be resolute in resisting the inroads of unhealthy trends and corrupt ideas. All members of the provincial party committee should also grasp the building of party and government styles among party and government cadres at all levels in the province. It is necessary to institute the responsibility system in building party and government styles, and regard the performances in improving party and government styles as one of the criteria for evaluating the



political achievements of leading members. The Standing Committee of the provincial party committee should firmly grasp the studies of regulations for maintaining high standards of ethical and professional integrity. From now on, the provincial party committee should make its work known to the public, and should subject itself to the supervision of the vast number of party members, cadres, and the masses.

D. We should appoint people based on their qualities. We should comprehensively implement the principle of making the ranks of cadres more revolutionary, younger, better educated, and professionally more competent. We should test and train cadres through the practice of reform and construction, and should boldly promote those cadres who have both ability and political integrity and have achieved outstanding political achievements. We should give trust and support to, and set strict demands on, cadres at all levels who work for all trades. We should also pay attention to uniting all people, including dissidents, to work in coordination.

In personnel affairs, we should not form small circles and practice favoritism. We should support those cadres who adhere to principles, have creative spirit, are eager to do solid work and willing to do pioneering work with vigorous efforts, and should criticize and educate those who are boastful and unwilling to do solid work, and those who have engaged in dishonest practices. Party and disciplinary sanctions should be given to those who violate discipline.

E. We should be prudent and careful and should study diligently. The provincial party committee members should assume heavy leadership responsibility, raise their ideological and theoretical level as well as their policymaking and leadership level, and continuously acquire new knowledge and leadership experiences. All leaders should study with an open mind. We should conscientiously study the basic Marxist principles in line with reality, the important directives of the party Central Committee, and the relevant scientific and cultural knowledge. It is necessary to learn from veteran comrades and the elders who have retreated to the second and third lines and from cadres with knowledge and experience, experts, professors, and the masses of people, and should sincerely consult with them. We should persist in democratically and scientifically making policy decisions, and strengthen the information, study, and consulting systems. With regard to major policymaking, we should persist in following the mass line, extensively listen to opinions from all quarters, and pool the wisdom of all.

F. We should pay attention to investigations and study and proceed from reality in all our work. Members of the provincial party committee should discuss and attend to major matters; provide effective leadership; change the workstyle of leadership; and regularly go to the forefront to conduct investigations and study, to understand the new situation, to sum up experience, and to solve new

problems. As the old saying goes: Listening to both sides, you will be enlightened; heeding only one side, you will be benighted. Our ancestors praised those upright and enlightened officials for taking advice from both the government and the public. Our Communist Party members should all the more listen to various complaints and views, listen to advise both pleasing and displeasing to the ear, modestly take good advice, and strive to improve our work. It is necessary to foster a good habit of listening to both positive and negative opinions, pay attention to the voice of the masses, care for people's hardships, and exert utmost efforts to help the masses solve practical difficulties.

G. We should maintain unity among the provincial party committee members. Only by maintaining unity can we pool efforts to create a new situation and to accomplish something. In this regard, the fourth provincial party committee has set an example for us. The whole party committee, particularly comrades of the Standing Committee, should establish a comradely relationship of mutually trusting, understanding, caring for, and supporting one another. All comrades should pay attention to principles when discussing major matters and to manners when discussing minor ones. We should compete with one another in our study, work performance, and contributions and give no attention to personal gains or losses or old scores. We should be broad minded and far-sighted, and take our undertakings and overall situation into account. Furthermore, we should set strict demands on ourselves, treat people leniently, pay more attention to other people's strong points but less attention to their weak points, pay more attention to our own shortcomings, and strive to correct them. Certainly, we should have a principle in keeping unity. We should safeguard and support those practices that conform to the party's ideological line, political line, organizational line, and the party discipline, and criticize and correct those that are not. We should often hold heart-to-heart talks, and conduct criticism and self-criticism in order to reach an identical view, to have an ease of mind, to make our activities more lively, and to form ourselves into a strong core. All in all, we should "use our diligent work to make up for our lack of skill, practice economy in order to make up for what we lack, be modest in order to increase our wisdom, and maintain unity in order to win another victory," and should undertake the heavy tasks entrusted to us by the party and the people.

**Shandong Party Committee Namelist Reported**  
*SK2301022089 Jinan DAZHONG RIBAO in Chinese*  
25 Dec 88 p 1

[Text] The following are the names of 48 members and 12 alternate members of the Fifth Shandong Provincial CPC Committee:

Members (in the order of the number of strokes in the surname) are:



Yu Chao [0060 3390], Ma Shizhong, Ma Zhongcai, Ma Zhongchen, Wang Zicheng [3769 1311 2052], Wang Yuxi [3769 3768 3886], Wang Lequan, Wang Huaiyuan, Wang Huanqing [3769 3562 3237], Wang Weitian, Wang Yuyan, Tian Jian, Lu Keying, Liu Hongren [0491 3163 0088], Yu Peigao, Sun Shuyi [1327 3219 5030], Li Jing [2621 2417], Li Wenquan, Li Chunting, [2621 2504 1694], Li Chunting [2621 2504 0080], Li Jingchang [2621 2529 1603], Yang Chuantang, Yang Xingfu, Yang Yanyin (female), He Zonggui, Song Fatang, Zhang Qianjing, Zhang Shoufu, Zhang Ruifeng [1728 3843 7685], Lu Maozeng, Chen Zhian [7155 0037 1344], Miao Fenglin, Lin Zhenlin [2651 2182 7792], Zhao Juncheng [6392 6511 2052], Zhao Zhihao, Zhao Linshan [6392 2651 1472], Yu Zhengsheng [0205 2973 5116], Jiang Chunyun, He Guoqiang, Gao Changli, Gou Changcai, Guo Songnian, Tang Shenghai, Liang Shuwei, Dong Fengji [5516 7685 1015], Dong Xiangju (female) [5516 7449 5468], Jian Dajun [4675 1129 6874], and Tan Fude.

Alternate members (in order of the number of ballots obtained) are:

Jiang Yongchang [5592 3057 2512], Wang Yuchun [3769 6657 2504], Wu Xianglian [0702 4382 1670], Wang Guoqing [3769 0948 1987], Wang Zonglian [3769 1350 1670], Wang Jiazheng [3769 1367 2398], Cha Keming [2686 0344 2494], Sun Jingxie [1327 2529 0588], Zuo Shumei (female) [1563 3219 5019], Wang Yumei (female) [3769 3768 2734], Zhao Chunlan (female) [6392 2504 5695], and Wang Kesan [3769 4430 0005].

**Jiang Chunyun Attends Shandong Work Conference**  
*SK2401091689 Jinan Shandong Provincial Service*  
*in Mandarin 2300 GMT 23 Jan 89*

[Text] The work conference that dealt with provincial reform-through-labor and reeducation-through-labor ended 23 January. Relevant departments have continuously promoted all reforms and have initially formed a new pattern whereby all social quarters have shown concern for and exerted joint efforts to grasp and manage the reform and reeducation work. The order of the reformatories has been kept stable and the quality of transforming criminals has improved noticeably. During the past year, the rate of improving the quality of criminals of many units reached 95 percent. More than 20,000 criminals and 680 persons undergoing reeducation through labor received cultural or technical certificates.

Gao Changli, member of the Standing Committee of the provincial party committee and secretary of the political and legal commission of the provincial party committee, gave a speech at the conference. He said: We should study the new situation and adopt new measures in line

with the ideological and criminal characteristics of different offenders, and enable all persons undergoing reeducation through labor to become politically new and technically competent in production.

The conference called on the reform-through-labor and reeducation-through-labor units at all levels to strictly implement all prisoner management regulations, do a good job in reeducating the people through labor, and strive to turn the reformatories into special schools for educating and transforming the people, to create a good social environment for reform and construction.

During the conference, leading comrades, including Jiang Chunyun, met with all attending delegates.

**Shandong Holds Agricultural Work Conference**  
*SK2501081789 Jinan Shandong Provincial Service*  
*in Mandarin 2300 GMT 23 Jan 89*

[Excerpt] The provincial agricultural work conference was held in Jinan from 20 to 23 January. In line with the guidelines of the national rural work conference, the conference made specific arrangements for the 1989 major tasks and work emphasis of the province's agricultural and animal husbandry production. Responsible persons of the provincial-level departments concerned gave speeches on supporting agriculture.

The conference participants maintained that our province's agricultural production tasks are very arduous this year. Because of a decline in the wheat sowing acreage; a poor situation in seedlings; a water shortage; a prominent contradiction between the supply and demands of agricultural materials; and the comparatively low economic results from the grain, cotton, and oil-bearing crop production; the enthusiasm of peasants is affected. Thus, the cropping industry will encounter many difficulties.

In this regard, the conference called for efforts to particularly grasp well the following few tasks:

First, we should guarantee the sowing acreage of grain, cotton, and oil-bearing crops; grasp the production of five major crops—wheat, corn, sweet potatoes, cotton and peanuts; actively popularize production technology; and strive to comprehensively increase the production of grain, cotton and oil-bearing crops.

Second, we should consider animal husbandry as a pillar industry of the rural economy throughout the province. We must try all possible means to stabilize hog production, improve the livestock structure, and actively develop the production of herbivores and poultry for which we can receive low-priced animal feed. At the same time, we should accelerate our efforts to formulate and implement vegetable cultivation plans and increase the supply of meat, eggs, and vegetables for the urban and rural residents.

Third, we should continue to grasp agricultural development and the building of production bases, fully display the investment results, and enable the cultivation plans to realistically become key measures for stabilizing the province's overall agricultural situation.

Fourth, we should deepen reform, and improve the operational and management functions of the rural areas.

Fifth, the agricultural and animal husbandry departments should realistically strengthen all service work and self-improvement.

Ma Zhongchen, deputy secretary of the provincial party committee and vice provincial governor, emphatically pointed out in his speech that it is necessary to mobilize our thinking and specifically implement the existing policies, the scientific and technological production input and organizational leadership measures, and mobilize the whole party and all the people to clearly understand the situation, to strengthen confidence, to overcome difficulties, and to reap a bumper agricultural harvest this year. [passage omitted]

**Shandong Said Developing Lateral Cooperation**  
SK2501074289 Jinan Shandong Provincial Service  
in Mandarin 2300 GMT 22 Jan 89

[Text] In 1988, our province scored great success in developing lateral economic cooperation among enterprises, and in various cities and provinces. All-time records were created in various major targets. According to incomplete statistics, last year the province as a whole signed a total of 6,603 economic and technological cooperation projects, imported 1.5 billion yuan of funds, and exchanged more than 35,000 trained personnel. The cooperative projects involved a total of 4.55 billion yuan worth of materials. The province organized and established 15 comparatively large enterprise groups and associations last year, thus making the total number of enterprise groups reach 89. It also established 120 offices in foreign countries and developed friendly ties with 163 cities.

At the provincial meeting of directors of city and prefectural economic cooperation offices held on 22 January, Zhao Zhihao, deputy secretary of the provincial party committee and vice governor, gave a speech in which he said: The current practice of cutting back the scope of investment in capital construction and controlling the circulation of credit is aimed at compressing the overheated atmosphere in our economic work, and alleviating the contradictions between the excessive supply and demands. The fundamental way to start compressing the atmosphere is to increase effective supplies and raise economic results through readjustment. We must not simply seek uniformity in the structural readjustment. It is necessary to actively promote the development of the signed cooperative projects on energy development, communications and transport, major raw materials

development, and projects on using science and technology to help the poor and on importing technology and creating foreign exchange through exports, and strive to make these projects yield beneficial results.

While touching on this year's provincial guidelines and basic tasks of economic cooperative work, Zhao Zhihao stressed: We should deepen our understanding of agriculture's status as the foundation. He said: Our province is a large agricultural province and its 80 million people must rely on agriculture for food. And about 70 percent of the raw materials come from agriculture. Agricultural development thus has a vital bearing on the national economy and the people's livelihood. The economic coordination departments at all levels should be eager to meet the needs of and help the agricultural sector, popularize and apply science and technology to agriculture, and contribute to achieving sustained and stable agricultural development.

### Central-South Region

#### Guangxi Leader Presents Government Work Report

**Reveals Shortcomings, Mistakes**  
HK2601073389 Beijing RENMIN RIBAO in Chinese  
22 Jan 89 p 1

[Dispatch by reporter Zheng Shengfeng (6774 4141 0023): "Wei Chunshu Reviews Guangxi Government Work in Past Year"]

[Text] Nanning, 20 Jan—In his government work report delivered at the Guangxi Zhuang Autonomous Regional People's Congress Session held early this year, Wei Chunshu, chairman of the autonomous regional people's government, enumerated various achievements made during the past year, and candidly and daringly revealed the shortcomings and mistakes of the government. People's deputies praised and appreciated the conscientiousness and practical spirit of the government.

Wei Chunshu also talked about the main problems and difficulties which his government is now facing: reduction of grain output by a big margin last year hampered economic work as a whole; more than one-third of the counties in the whole region are facing the problem of financial deficits; there is a severe shortage of coal, electric power, and energy; and there is a 20.5 percent increase in the retail price index of commodities in the whole region. This was another top price increase since the founding of the People's Republic, and second only to the price increase in the 3-year difficult period.

Wei Chunshu believed that there were both objective and subjective reasons contributing to the abovementioned problems and difficulties, including natural calamities, the defects and mistakes in government work, and so on. He stressed that the government had made mistakes in the following five aspects. 1) The

government failed to sufficiently understand the importance of agriculture, which is the base of our economy, and grain in particular, and, therefore, weakened its leadership over agricultural production and reduced the investment in agriculture. 2) The government was over-anxious for quick results in construction, and capital construction was carried out throughout the region. This gave rise to an excessive increase in the investment in fixed assets, and severe insufficiency in circulating funds urgently needed by production. 3) Concerning economic structural reform, the government failed to make a highly scientific strategic policy decision, and was not far-sighted enough to grasp energy and communication projects. This severely impeded economic development. 4) With regard to products that are badly needed in the daily life of the masses, such as grain, salt and so on, the government failed to take the proper measures to open up new sources of these goods, and allocate them. Fluctuation occurred in the market. 5) Regarding the day-to-day work of the government, we failed to follow a down-to-earth manner in carrying out investigations and studies aimed at solving problems. We held a lot of meetings to make arrangements, but failed to do sufficient supervisory work.

Some people's deputies made a comment on Wei Chunshu's government work report. They said: He openly revealed the "ugly things" in the government's work, and candidly admitted the defects and mistakes of the government. This shows that the government dares to assume responsibility. If the government is bold in assuming responsibility, the society will also dare to carry out reform. This is a positive ideological effect which Wei Chunshu has stressed. Wei pointed out that our purpose in facing difficulties squarely and analyzing difficulties is to forge ahead amid difficulties. The difficulties we are encountering now are difficulties occurring on the road of reform and advance. He hoped that people of the whole region would work together with one heart, struggle hard to make progress, overcome difficulties, and usher in a new year of development and vitality.

#### Further on Work Report

HK2601094289 Nanning Guangxi Regional Service  
in Mandarin 1100 GMT 25 Jan 89

[Text] When delivering a report on government work at the second session of the seventh regional People's Congress, Chairman Wei Chunshu dwelt on problems of strengthening leadership, advancing bravely as one, and overcoming difficulties with concerted efforts.

Wei Chunshu pointed out: At present the reforms have met with many difficulties and problems, and the difficulties Guangxi is facing are more serious than those of other areas. Thus we must strengthen leadership, make concerted efforts, and advance bravely as one. To advance bravely as one and tide over difficulties with joint efforts, leaders at various levels of the region and vast numbers of cadres and the masses must firmly foster a sense of taking the overall interests into consideration.

Every comrade must be aware that in our socialist country partial interests and general interests as well as individual interests and the state interests, fundamentally speaking, coincide. Doing a good job of the work of improvement and rectification will certainly benefit the local authorities and individuals. Conversely, if the state economy is beset with trouble, the local authorities and individuals will find the going tougher and tougher. We are, therefore, obliged to share worries with the state for the difficulties it is facing, and with the region for the difficulties it is encountering.

To arouse the people of all nationalities in the region to advance bravely and tide over difficulties with concerted efforts, Wei Chunshu stressed in his report: Leaders at various levels should truly strengthen ideological and political work; they should work for ideological work as they do for economic work, and they should attach importance to the building of spiritual civilization. Meanwhile, it is necessary to conduct education in current affairs in a profound and systematic way, and state in an explicit and realistic way to vast numbers of cadres and the masses the great achievements that China has made in its 10-year reform, the significance of the 3d Plenary Session of the 11th CPC Central Committee, and the difficulties and problems existing in the current economic life, and make clear methods and measures to be adopted for overcoming the difficulties so as to increase the determination of the entire people in carrying out reform and their confidence in overcoming difficulties. We must pluck up our courage and unite as one to encourage healthy trends and overcome difficulties.

In his report, Chairman Wei Chunshu also stressed: The key to advancing bravely as one and overcoming difficulties with concerted efforts lies in the initiative taken by leaders at all levels in playing an exemplary role. In the process of improving the economic environment, rectifying the economic order and making readjustments, leaders at various levels must strictly enforce discipline, orders, and prohibitions. They must take the lead in working hard and keeping free from corruption, improve their work style in its real sense, go deep into the realities of life to make investigations and to solve problems in time. Government departments at various levels and their agencies should arrange their work around the central task of government work, do their best at their own jobs, resolutely implement all instructions and decrees issued by the party and the government, protect and enhance the prestige of the party and government, and make themselves a more cohesive force.

#### Henan's Cheng Weigao Stresses Coal Supplies

HK2601023389 Zhengzhou Henan Provincial  
Service in Mandarin 2300 GMT 25 Jan 89

[Excerpt] At an urgent provincial meeting on spring festival coal transport convened on 25 January, Governor Cheng Weigao urged the coal, transport, electric



power, and other departments to cooperate to provide adequate coal stocks for power generation, to ensure power for industrial production and people's daily life.

Cheng Weigao said: This is the first year of improvement and rectification. We must cool the overheated economy and also promote effective supply and economic returns. If we cannot succeed in this, still greater difficulties will occur in the national economy, and there can be no question of controlling prices, stabilizing the markets, and calming the people's minds.

He said: Henan's industrial growth rate during the first 20 days of January was only 0.1 percent, basically the same as for the corresponding period last year. This was far below the planned growth rate for the year. This situation constitutes a slide, not a cooling down, in the economy. If we fail to take steps as soon as possible, the province will encounter financial difficulties this year. All departments must pay great attention to this issue.

According to our information, the main reason why a serious slide appeared in Henan's industry in the first 20 days of January was that we were short of electric power, and the lack of sufficient coal stocks at the province's main power plants aggravated this shortage. At present these plants have only some 200,000 tons of coal in stock, and the distribution of this stock is very uneven. Due to the coal shortage, 600,000 to 800,000 kilowatts of installed generating capacity in the province cannot be used. Due to the lack of reserve strength in the province's coal production, plus the fact that coal is being handled through many channels and there is a serious outflow, absolute supplies have declined and there are sharp contradictions between demand and supply. Some cities and prefectures are short of coal not only for industrial production but also for people's daily life.

Cheng Weigao demanded that the coal departments regard the overall situation as the most important thing and do a good job in producing and allocating coal, to meet the province's needs. The transport, electric power, and planning management departments must support and coordinate with each other to ensure supplies of coal for power generation. They should generate and supply more electricity, to ensure adequate power for the province's industrial production and people's daily life. [passage omitted]

### Southwest Region

**Bainqen Attends Opening of Tibet's Great Stupa**  
HK2601003789 Lhasa Tibet Regional Service  
in Mandarin 1130 GMT 24 Jan 89

[Excerpts] On 24 January, Bainqen Erdini Qoigyi Gyaincain, vice chairman of the NPC Standing Committee and honorary president of the Chinese Buddhist Association, invited personages from religious circles in Tibet and from Qinghai, Sichuan, Gansu, and Yunnan provinces attending the grand opening ceremony of the newly

rebuilt Great Stupa to a discussion meeting. Great Master [honorific used to address a Buddhist monk] Bainqen delivered an important speech on the occasion. [passage omitted]

In his speech, Great Master Bainqen pointed out: [Passage omitted] Our lamaseries and lamas must firmly love their country and Buddhism, maintain national unity, strengthen nationality solidarity, promote social progress and stability, and contribute to economic construction in Tibet. Some lamaseries can give full play to their strength and adopt effective measures to unfold economic activities so that they will be able to gradually stand for self-reliance. Lamaseries that have a good financial standing must make more contributions to society, such as running schools, hospitals, and homes for the elderly. Great Master Bainqen also pointed out: The party's policy for religious freedom will not change and you can rest assured of carrying out all kinds of normal religious activities. [passage omitted]

**Tibet's Hu Jintao Outlines Region's Major Tasks**  
HK2601010089 Beijing CHINA DAILY in English  
26 Jan 89 p 1

[By staff reporter Guo Zhongshi]

[Text] Lhasa—Tibet's new Party Secretary Hu Jintao said yesterday that the autonomous region faces two major tasks of fighting separatism and speeding up economic construction.

Forty-six-year-old Hu, China's youngest Party Secretary at provincial level, told CHINA DAILY that these tasks are aimed at stabilizing the situation in Tibet and building up a fully-fledged market economy.

"Without unity and stability the job of improving the local economy will be out of the question; on the other hand, unless we are determined to bring prosperity to Tibet, there will be no foundation for long-term stability and social order," Hu said. Under the present circumstances, he added, the stabilization of the current situation is more important.

To accomplish these tasks, he said, any measures adopted should conform with the specific situation and conditions in Tibet.

With 97 percent of the population being Tibetans, the region is unique in both social and economic terms—most Tibetans believe in Buddhism and the region is rich in resources but backward in terms of productivity.

"Copying the experiences of China's inland areas will never work out for Tibet," he said, adding that the past successes and failures in the region revealed whether or not the Party's policies were in line with local conditions in Tibet.

Talking about the recurring riots and demonstrations in Lhasa, Hu said, "We should trust the majority of Tibetans. They will not follow the small number of separatists by engaging in activities detrimental to the basic interests of Tibet and national unity."

He said troublemakers who break the law, harm Han-Tibetan unity and attempt to split the country by creating serious social order disturbances will be severely punished.

The Han and Tibetan peoples enjoy good relations in general, he said, but went on to point out that the "cultural revolution" (1966-76) had indeed injured this relationship and left problems to be solved.

He said the Party had admitted its serious mistakes in the 1960's and during the "cultural revolution." These mistakes had hurt many innocent people in Tibet, he said.

Hu said he was fully confident of Tibet's future, and was also prepared for some hard work ahead. Current Party policies in Tibet would bring real benefits to the local people, he said, adding that with the correct policy and the support of all the people the difficulties and problems could be solved.

On the subject of the rehabilitation of people wrongly accused and persecuted in Tibet during the 1960s, the Party Secretary said the local government was determined to solve all the remaining problems concerning religion and nationality as quickly as possible.

He said the recent major personnel reshuffle in Tibet's regional Party committee was a routine change and stressed that the Party's policies toward Tibet would not change as a result of the reshuffle.

#### **ZHONGGUO XINWEN SHE Report**

HK2601044889 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1511 GMT 25 Jan 89

[Report by reporter Peng Weixiang (1756 0251 4382): "Hu Jintao, Secretary of the Tibet Regional CPC Committee, Talks About the Major Tasks Confronting Tibet"]

[Text] Lhasa, 25 Jan (ZHONGGUO XINWEN SHE)—During an interview with this reporter, Hu Jintao, secretary of the Tibet Regional CPC Committee, said that at present Tibet is confronted with two major tasks: One is to safeguard unification of the motherland, adopt a clear-cut stand to oppose separatism, and stabilize the situation in Tibet; the other is to continue to carry out economic construction; make redoubled efforts to develop the commodity economy; conscientiously implement the CPC's nationality, united front, and religious policies; and unite all types of forces in Tibet.

Hu Jintao said that the two major tasks confronting Tibet are interlinked. As far as Tibet's present situation is concerned, stabilizing the situation in Tibet is of primary importance.

When asked about the methods he will employ during his tenure of office in Tibet, Hu Jintao talked about the four principles to which he will adhere. He said that first he will make every possible endeavor to proceed from the realities of Tibet and fully take into consideration the fact that Tibet is a region of the Tibetan nationality. Second, he will do everything possible to show concern for the interests of the Tibetan people and strengthen the unity between the Tibetan and Han nationalities in Tibet. Third, he will give full scope to the fine tradition of democratic centralism. Fourth, he will adhere to the style of hard work and plain living.

Hu Jintao stressed that the recent changes of principal leaders in the Tibet Regional CPC Committee is a normal personnel change process which does not indicate any change in the CPC's policies toward Tibet.

When a reporter asked Hu Jintao: "How do you look at the political situation in Tibet?" Hu Jintao replied that people should rest assured that the majority of the people in Tibet are against separatism and are willing to safeguard unification of the motherland. As for a handful of people who favor separatism and try to confuse the minds of the masses, Hu Jintao believed that through patient persuasive work the small number of people will eventually be won over by the government and turn to side with the government. However, it is still necessary to punish in accordance with the law a small number of criminals who violate the law, sabotage unification of the motherland, and disrupt the social order.

Hu Jintao believed that as far as the overall situation in Tibet is concerned, the cadres and masses of the Han nationality and the cadres and masses of the Tibetan nationality are united at present. However, Hu admitted that during the "Cultural Revolution," the unity between the Han nationality and the Tibetan nationality was damaged to a certain extent. Although a lot of work has been done to strengthen unity between the Han and Tibetan nationalities over the past few years, there are still a lot of problems demanding prompt solutions in this respect at present.

Hu Jintao also pointed out that all the parties concerned in Tibet are determined to solve the existing problems regarding implementing the relevant policies within a very short period of time. Hu Jintao added that with regard to implementation of the CPC's religious, nationality, and united front policies, the authorities concerned in Tibet will see to it that the relevant CPC policies are implemented both politically and economically. This means that an appropriate amount of economic compensation will be paid to the people concerned if necessary.

At the end of the interview, Hu Jintao, the youngest CPC committee secretary at regional or provincial level in China, told this reporter that he is fully confident about the future development of the situation in Tibet and fully understands the difficulties he might encounter during his tenure of office. He said that he is ready for such an arduous task.

Hu Jintao officially assumed office in Tibet on 14 January. Before taking office, the 46-year-old regional CPC committee secretary paid a visit to Ngapoi Ngawang Jigme and Bainqen Erdini Qoigy Gyalncain in Beijing. Immediately after arrival in Tibet, he attended a forum at which prominent regional personages were present.

### North Region

**New Inner Mongolia People's Congress Personnel**  
*SK2401092189 Hohhot NEIMENGGU RIBAO*  
*in Chinese 30 Dec 88 p 1*

[Namelist adopted by the fourth Standing Committee meeting of the Seventh Inner Mongolian Regional People's Congress on 29 December]

[Text] Li Xinquan was appointed director of the regional finance department; Lian Hao [1670 4110] was appointed director of the regional urban and rural construction and environmental protection department; Li Tiesheng [2621 6993 3932] was appointed chairman of the regional science and technology committee; She Namujila [5287 6719 2606 0679 3139] was appointed chairman of the regional Mongolian language work committee; Zheng Changhuai [6774 7022 3232] was appointed director of the regional traffic department; and Feng Wanchun [7458 8001 2504] was appointed director of the regional price bureau.

Hu Zhishan [5170 18070810] and Wang Weishan [3769 4850 1472] were appointed deputy secretaries general of the Standing Committee of the regional People's Congress; Qinaren [1142 6719 0088] was appointed vice chairman of the internal affairs and judicial committee under the regional People's Congress Standing Committee; and Wuertubaoyan [3527 1422 0956 1405 1750] was appointed vice chairman of the education, science, culture, and public health committee under the regional People's Congress Standing Committee.

**Tianjin's Li Ruihuan Attends New Year Soirees**  
*SK2301112089 Tianjin TIANJIN RIBAO in Chinese*  
*31 Dec 88 p 1*

[Excerpts] On the evening of 30 December, the municipal party committee and the municipal government held ceremonious 1989 New Year soirees for soldiers and civilians at the Cadres' Club and the First Workers' Cultural Palace. Happily gathering under the same roof to celebrate New Year's Day were responsible comrades

of the municipal party, government, and military organizations, including Li Ruihuan, Wu Zhen, Yan Dakai, Zhang Zaiwang, Hao Tianyi, Tan Shaowen, Nie Bichu, Zheng Guozhong, and Lan Baojing; commanders and fighters of the various PLA units stationed in Tianjin and the Tianjin headquarters of the armed police force; representatives of family members of revolutionary martyrs and servicemen as well as demobilized, retired, and transferred soldiers; representatives of advanced figures on various fronts; and representatives of personages from all circles.

On behalf of the municipal party committee, the municipal People's Congress Standing Committee, the municipal government, and the municipal CPPCC Committee, Li Ruihuan, secretary of the municipal party committee and mayor of the municipality, extended festive greetings to the people throughout the municipality and commanders and fighters of the various PLA units stationed in Tianjin. He said: During this year, which will soon be over, Tianjin has scored unexpectedly good achievements in all items of work. In this regard, the vast number of commanders and fighters of the PLA units stationed in Tianjin have given us great support and have put in a lot of hard work. It can be said that these achievements result from the joint efforts of the vast number of commanders and fighters of the PLA units stationed in Tianjin and of the people throughout the municipality. On behalf of the municipal party committee, the municipal government, and the people throughout the municipality, I would like to take this opportunity to express heartfelt thanks to commanders and fighters of the various PLA units stationed in Tianjin.

Li Ruihuan said: The forthcoming year—1989—will be an important year. The just-ended third (enlarged) plenary session of the fifth municipal party committee made a comprehensive analysis of the current situation and planned for the work in 1989. We hope that commanders and fighters of the various PLA units stationed in Tianjin will continue to help us fulfill the tasks for 1989. Chairman Mao said: If the Army and the people are united as one, who in the world can match them? It is extremely important to study again these remarks of Chairman Mao when we deeply develop reform and opening up.

On behalf of all commanders and fighters of PLA units stationed in Tianjin, Zheng Guohong, commander of the Tianjin Garrison District, extended festive greetings to the people throughout the municipality. [passage omitted]

Also attending the soirees were Yang Jingheng, Lu Xuezheng, Huang Yanzhi, Zhang Lichang, Li Huifen, Yang Huijie, Liu Zengkun, Han Tianyao, Yu Fujing, Zhu Wenju, Bai Hualing, Pan Yiqing, Mao Changwu, Li Changxing, Lu Huansheng, Li Zhendong, Zhang Zhaoruo, Qian Qiao, Xiao Yuan, Zhao Jinsheng, He Guomo, Huang Difei, Kang Tiejun, Liao Canhui, Yang Hui, Wu



Tiangqiu, Yu Guozong, Chen Rongti, Xie Zhaoyi, Chen Deyi, Zhang Zhen, Su Qingyu, Zou Shunsheng, Wang Yongchen, Tao Yimin, Hu Xiaohuai, Fang Fang, and Fang Fenyong.

Among the veteran comrades of local governments and Army organizations who were present at the soirees were Liu Gang, Cao Zhongna, Wang Enhui, Lu Da, Li Shusen, Wu Zhen, Tan Songping, Li Zhongyuan, Bai Hua, Zhao Jun, Xu Ming, Zhou Ru, Ji Zenghui, Wang Jiaxiang, Geng Yuqi, Ji Kui, Gao Guanyi, Wang Dongfang, Zhou Xumin, Li Zhi, and Wang Jishan. [passage omitted]

**Li Ruihuan at Tianjin Social Science Meeting**  
SK2301112289 Tianjin TIANJIN RIBAO in Chinese  
31 Dec 88 pp 1, 4

[Excerpts] The fourth meeting of representatives of the municipal federation of social science societies opened ceremoniously on the morning of 30 December.

Attending the opening ceremony were Li Ruihuan, secretary of the municipal party committee and mayor of the municipality; Hao Tianyi, chairman of the municipal Advisory Commission; Tan Shaowen and Nie Bichu, deputy secretaries of the municipal party committee; some other municipal leading comrades, including Zheng Guozhong, Yang Jingheng, Huang Yanzhi, Han Tianyao, Shi Jian, Xiao Yuan, He Guomo, Huang Yusheng, and Fang Fang; some veteran comrades, including Liu Gang, Bai Hua, and Ji Zenghui; and Xie Guoxiang, director of the Propaganda Department of the municipal party committee.

The municipal federation of social science societies is a mass academic organization of the municipality and has the overall advantages and functions of having complete branches of learning and a galaxy of talents and of being knowledge-intensive. The meeting will hear, discuss, and approve the work report of the third committee of the municipal federation of social science societies; discuss and approve the federation's new constitution; and consult and elect the fourth committee of the municipal federation of social science societies. On the morning of 30 December, meeting participants, who were in high spirits, stepped into the meeting hall to attend the grand meeting of their own. The atmosphere in the meeting hall was serious, lively, harmonious, and enthusiastic.

At 0900, Xiao Yuan, executive member of the presidium of the meeting, declared the meeting open. Teng Weizhao, executive member of the presidium of the meeting, made an opening speech amid warm applause. He said: The guiding ideologies of the meeting are to further emancipate minds, inspire the people's enthusiasm, promote democracy and unity, positively keep forging ahead, serve reality, enliven theoretical study, and promote and develop social sciences. After that, representatives from the municipal trade union council, the municipal youth federation, the municipal women's federation, the municipal association for science and

technology, the municipal federation of literary and art circles, universities, colleges, party schools, cadres' schools, and institutions of social sciences each delivered congratulatory speeches to the meeting.

Tan Shaowen made a speech at the opening ceremony. [passage omitted]

After the opening ceremony, municipal leading comrades, including Li Ruihuan, cordially met with the representatives participating in the meeting and had a group photo taken to mark the occasion.

### Northeast Region

**Sun Weiben Speaks at Heilongjiang Party Meeting**  
SK2201070589 Harbin HEILONGJIANG RIBAO  
in Chinese 29 Dec 88 pp 1-2

[Speech by Sun Weiben, secretary of the Heilongjiang Provincial CPC Committee, at the conference of secretaries from various prefectural and city party committees on 27 December; place not given: "On Work for 1989"]

[Text] Our conference's central topic is to further implement the spirit of the 3d Plenary Session of the 13th CPC Central Committee, to summarize the work of 1988, and to make work arrangements for 1989. In line with the opinions discussed at the recent enlarged meeting of the provincial party standing committee, I would like to discuss with you the following four issues:

#### I. A Review of 1988 Work

In 1988, we concentrated on following the major theme of emancipating minds and productive forces. The characteristics of the province's work in the year can be summarized as firmly getting a hold of the main theme, actively narrowing the two gaps, and achieving obvious progress in five fields.

The aforementioned main theme grasped by the province means that the province has grasped "further emancipating minds and productive forces" and deeply carried out mass discussion of the criterion of productive forces. Soon after the conclusion of the 13th CPC Congress, the provincial party committee clearly pointed out at the eighth enlarged plenum of the fifth provincial party committee that the first important task of work undertaken by the entire party for the current period or a certain period in the future is to deeply study and implement the spirit of the 13th CPC Congress. While studying and implementing the spirit, it is of primary importance for us to further emancipate our minds and productive forces. The provincial party committee has currently pointed out that by applying the theory systematically expounded at the 13th CPC Congress with regard to the initial stage of socialism, efforts should be made to define again the party's basic line and to

emancipate minds in five fields. The provincial party committee then made a "decision" on 16 March with regard to holding study and discussion throughout the province on the criterion of productive forces. The broad masses of cadres and the people throughout the province displayed extreme enthusiasm in the study and discussion; adopted the method of investigating or presenting problems as well as of improving the environment and rectifying the order while holding study and discussion; regarded the mass discussion as a "guide" in promoting all work in an overall way; used the criterion of productive forces to renew their understanding of the situation in the province, in cities, in counties, and in townships; and readjusted and improved the strategy of economic development to accelerate the pace of conducting reforms in economic and political systems and to turn the process of emancipating minds into that of promoting development of productive forces. The provincial-level economic or relevant departments issued more than 100 policies and statements concerning economic development and reform measures, which have promoted the province's work in an overall way.

The aforementioned task of actively narrowing the two gaps means that our leading personnel at all levels did not sufficiently emancipate their minds and were weak in the sense of conducting reform, resulting in one gap in this regard. It also means that they did not conduct their work satisfactorily and created another gap when compared with other provinces. However, they succeeded in narrowing the two gaps in the year by making up their losses ideologically. Over the past year, we have actively made efforts to open party and government affairs to the public, to carry out democratic consultation and dialogues, to solicit and study the opinions of various social circles, to go deep into reality to carry out investigations and study, to conduct specific guidance, to urge units to carry out inspections, and to grasp key links, thus upgrading the standard of policy decisions and promoting the implementation of various tasks.

The aforementioned obvious progress in five fields means that the province has made obvious progress in the following five fields: First, the economy has achieved sustained and stable development and the economic results have been obviously upgraded. In spite of serious natural disasters, the province realized 17.5 billion jin in its total grain output and reaped another historic bumper agricultural harvest. The output of beets, flax, and flue-cured tobacco reached a peak. The province has realized the achievement of not reducing its grain output while increasing its annual average income. The industrial front realized a balanced and stable growth. The total annual output value is expected to reach 45.3 billion yuan, a 3 percent increase over the annual production plan and a 9.5 percent increase over 1987. Sales accumulated in 11 months by the local industrial enterprises whose products are covered by the budget showed a 23.4 percent increase and their taxes and profits handed over the state showed a 28 percent increase. Their profits showed a 35.3 percent increase and also surpassed the growth of output value excluding the inflation factor.

Second, we achieved remarkable progress in reform and a number of good examples of reform emerged in the urban and rural areas. The number of reform policies issued this year was greater than any year in the past. The three rural reform experimental zones of Shangzhi, Weihe, and Suibin, which were established on the approval of the State Council, and various types of reform experimental zones such as Mudanjiang, which were established on the approval of the provincial party committee, all began their leading reform experiments and achieved encouraging progress. In the course of introducing the mechanism of township enterprises, state enterprises succeeded in improving the contract system and promoting mergers, tried out the stocksharing system, and selectively established "special enterprises" to instill vitality into reform. Big strides were made in rural reform. We established a cooperation foundation with the support of the cooperative economic organizations, organized various types of associations, and made new attempts in land management, such as allowing people to buy shares, inviting lease-holders through bidding, and developing regional planting. Good results were achieved. Third, the strategy of using science and technology to invigorate the province was put into practice to promote the development of productive forces. The sixth provincial party congress gave first priority to science, technology, and education in our economic development; formulated and promulgated policy regulations on deepening reform of the scientific and technological structure in line with this strategy; organized a great number of scientific and technical personnel to fight on the main battlefield of economic construction; sent a large number of scientific and technical cadres to counties, districts, and townships to serve as deputy directors; implemented a group of "Spark Plan" projects; and achieved rapid progress in scientific and technological work. Fourth, we implemented the strategy of "establishing cooperative ties with the southern provinces and opening to the north," and made breakthroughs in developing trade with the Soviet Union. By the end of the year, the border trade contracts signed with the Soviet Union will be valued at 650 million Swiss francs and the total cargo delivery from the Soviet side will reach 150 million Swiss francs, all surpassing the total amounts in the previous 5 years. "Opening to the north has attracted cooperation in the south," and has promoted enterprise cooperation and the development of enterprise groups within and outside the province. Fifth, we actively explored new ways to depend on reform and the building of systems to keep government organs clean and honest, strengthened the openness of party and government affairs, and made public our work procedures. After summing up the experience of all localities, the provincial party committee universally popularized 11 public measures and, through conducting discussions on the criterion of productive forces, mobilized the masses to discuss political affairs, established a self-regulating mechanism among party and government leading cadres and various types of crime reporting centers, and initially formed a mechanism of mass supervision. The achievements in these



five aspects were only the prominent points in our work this year; they do not represent the whole. We might say that this year our province witnessed improvements in all fields of work, on all fronts and in all localities, and basically realized all work targets designed early this year. These resulted from the concerted efforts of the party organizations and governments at all levels and the broad masses of party members, cadres, and the people.

Our purpose in summarizing the past is aimed at translating our practical work into rational knowledge and changing our experiences and lessons into wealth in order to fight another battle. In this sense, we should pay more attention to the existing problems and deficiencies in our past work. At the enlarged session of the Standing Committee held a few days ago, the participants initially summarized the following few points: First, we were blindly optimistic in appraising the situation, failed to fully estimate the difficulties and hidden problems in reform and development, and were slow in reacting to the overheated economy and inflation. We were not clear-headed until the appearance of panic buying and the sharp rise in prices. Second, in stabilizing agriculture, we failed to conscientiously study various factors affecting peasants' enthusiasm. Some policies were not issued in a timely manner. We also failed to fully listen to opinions of the grassroots levels before making policy decisions. Although the current rural problems are related to the overall policies, our failure in pondering problems and doing meticulous work also constitutes a problem. Third, we failed to concentrate much of our energy on placing education, science, and technology in our strategy for economic and social development. We also failed to solve the problems concerning educational reform, educational funds, and other practical problems.

We failed to do enough to summarize and popularize the experiences of counties and townships which had collected funds for developing schools and adopted various ways to develop education. The contingent of scientific and technical personnel of our province has yet to fully develop its role, and quite a large number of scientific and technological findings were not converted to actual productive forces as quickly as possible. Fourth, when examining the leadership work of the provincial party committee, our levels in democratic, scientific, and public policymaking were not high enough, and theoretical study remained a weak link. In particular, some of the major issues we had already decided were not truly put into effect. We should pay attention to solving these problems in our future work.

## II. On the Situation

Since the 3d Plenary Session of the 13th CPC Central Committee, party committees and governments at various levels throughout the province have actively implemented the central principle of improvement and rectification. The various specific measures defined at the

second plenary session of the sixth provincial party committee have yielded notable results in the process of implementation. The general development trend is good.

At the enlarged standing committee meeting, however, participants analyzed the current rigorous situation based on a host of facts and figures, unanimously holding that in analyzing the current situation, it is first necessary to thoroughly understand the difficulties and problems we are faced with, remain clear-headed, and even take these difficulties and problems a little bit too seriously in order to enhance the sense of urgency. Only in this way can we truly pay attention to analyzing and valuing the favorable factors under unfavorable conditions, and take the initiative in seizing the opportunities and promoting the improvement of the situation.

Our province's current rigorous situation is conspicuously reflected in an acute shortages of funds, electricity, raw materials, and means of transportation, in addition to the problems in the macroenvironment, such as a failure in macroeconomic control, inflation, high prices, and chaos in circulation. Meanwhile, some hidden danger also exists.

In comprehensively analyzing the situation, we should, on the one hand, see the grim side to avoid unrealistic optimism and lowering our guard and, on the other, see the favorable side to avoid passiveness, pessimism, and loss of confidence. Judging from the general situation, our current endeavor of improvement and rectification is an adjustment in the process of progress and development, reform and opening up, and is different from that of the early 1960's. Judging from the international macroenvironment, we closed our country and experienced an international blockade in the 1960's, but now we are faced with an international situation of peace and development, and adjustment and reform are world trends. Judging from the standpoint of economic strength, our national power was weak, our agriculture shrank, and the people did not have sufficient food and clothing in the 1960's. Now, however, we are moving from having adequate food and clothing to being fairly well-off, and our material foundation is much more substantial than that it was then. Judging from our production setup, our province is an important grain marketing base in the country, where coal, timber, oil and other important means of production and basic industries amount to a larger proportion than elsewhere; large and medium-sized key enterprises with a stable market constitute the mainstay of the machinery industry; and light industry which uses farm and sideline products as its major raw materials will experience only a small impact in the course of adjustment. In particular, the endeavor to improve the economic environment and rectify the economic order will provide many new favorable conditions for us to further promote construction and reform successfully. They can be summarized as follows:



A. The endeavor of improvement and rectification has created a major trend of reducing investment and cooling the overheated economy in terms of the macroeconomy, and forced us to exert determined efforts to change the economic development pattern from elevating growth rates to improving economic results, from launching new projects to upgrading technology and improving management, and from seeking quick results to acting according to capacity. This has provided a macroclimate for rectifying the guiding principles for economic work and for facilitating a benign circle and long-term stable development of the economy.

B. Our efforts to dampen social demand, increase effective supply, reduce overabundant goods and increase goods in short supply in the process of improvement and rectification have provided opportunities for us to adjust the investment pattern, production setup, product mix, and the organizational structure of enterprises, and have put our province's leading industries in a favorable position. We can make the best use of the situation and adopt special policies to accelerate implementation of the economic development strategy defined by the provincial party committee and the industrial policy of "pulling one area to promote the simultaneous development of four areas." In particular, the state has given priority to agricultural development and adopted a series of policy measures to put means of production under exclusive state control, increase input, and solve the problem of arbitrary collection of fees. This is very conducive to our needs as a large agricultural province.

C. With the comprehensive strains on funds, electricity, transportation, and raw materials, we have no choice but to follow the new path of developing production under the circumstances of reducing mechanical labor input, and generally pay attention to "software" input. Both enterprises and rural areas have increasingly strong desires and demands for science and technology. This has created a good opportunity for implementing the strategy of relying on science and technology to rejuvenate the province.

D. With the strain on the raw materials for production of some readily marketable products and on some consumer goods, enterprises are forced to find their markets outside the province and abroad. The readjustment of the coastal open areas' policies on customs duties and the further improvement of the international environment have brought about good opportunities to our province in terms of further promoting the implementation of the strategy of conducting cooperation with areas south of the province and opening to areas north of the province and accelerating the development of an export-oriented economy.

E. Under the circumstances of improving the economic environment and rectifying the economic order, enterprises are not allowed to continuously ask for reducing taxes or conceding profits to themselves, but are forced to find ways for deepening reforms, consciously bring in

the competition mechanism, and enhance the restriction mechanism. The consolidation of circulation and the reduction of exploitation by intermediate sectors will help improve the external environment for enterprise reform and management. This will easily make the enterprise reform shift from the shallow level of delegating powers and conceding benefits to the deep level of adding pressure and tapping potential. Meanwhile, the strain on funds forces enterprises to find various channels for collecting funds or to adopt the methods whereby all staff run risks with mortgages to be raised and whereby they collect funds by becoming shareholders. Through thoroughly solving the problems under which enterprises fail to guarantee or upgrade the value of state property or even depreciate state property in the course of improving the economic environment and rectifying the economic order, enterprises will begin to define property rights. This has helped offer good opportunities for deepening enterprise reform and carrying out the shareholding system on a trial basis.

F. The method of principally relying on increasing property to reduce the scale of capital construction and tighten credit will not work. So, we cannot but adopt the method of readjusting and optimizing property in reserve. Through developing the amalgamation, cooperation, shareholding, contract, leasing, and buying and marketing methods among enterprises, the exchange of key production factors that are left unused and the transfer of enterprise property rights can be promoted. All this has provided favorable opportunities for developing markets of key production factors (including the property right market.)

G. In the course of improving the economic environment and rectifying the economic order, we drew lessons from the previous practice of dislocation and stopped loopholes in the method of strengthening the management of planning, goods prices, credits and loans, goods and materials, industrial and commercial administration, and tax revenue. This has created a rare opportunity to improve and enhance the mechanism of macro-economic readjustment and control.

H. Bringing order to economic chaos and improving control over price hikes can stabilize the emotions of the people, help ban "official racketeers" and "illicit racketeers," intensify tax collection and management among individual and private sectors of the economy, and help, to a certain degree, solve the problems in which a small number of people get rich through illegal means. The purification and consolidation of companies, the solution of problems concerning officials and businessmen ganging up in collusion with each other, and the enhancement of restrictions on discipline are extremely conducive to promoting the honesty of government. If we achieve the tasks in this regard, social contradictions can be alleviated and the political situation characterized by stability and unity can be promoted.

After summing up the aforementioned statement, we know that we are confronted with a situation in which the improvement of the economic environment and the rectification of the economic order, reform, and development interact on and promote each other. There are two possibilities in the development of the situation. First, the improvement of the economic environment and the rectification of the economic order mandate that we slow down the pace of price reform and the pace of development. However, the slowing down of price reform is not conducive to handling economic affairs according to the law of value, and the slowing down of the pace of development can affect our financial ability to bear reforms and to readjust and control the improvement of the economic environment and the rectification of the economic order. The situation in which improvement and rectification, reform, and development affect and interact on each other makes us face many serious difficulties. If we fail to do a good job in this regard, the economy will possibly stagnate or face inflation. Second, the improvement of the economic environment and the rectification of the economic order have created a normal environment for reform and development. Reforms have given impetus to the improvement of the economic environment, the rectification of the economic order, and development. Development has helped lay an economic foundation for improving the economic environment, rectifying the economic order, and conducting reforms. All this has brought about new opportunities for us. If we do a good job in this regard, we may launch ourselves into the orbit of smooth progress. In the campaign of handling the contradictions cropping up in the process of improving the economic environment and rectifying the economic order, reform, and development, improvement and rectification concerns the overall situation as well as being the key link, deepening reforms is a motive power as well as a base, and stabilizing development is a foundation as well as a target.

We should master the viewpoints of dialectical materialism and historical development to view the situation. In facing such a situation, in which both difficulties and opportunities exist, we have no choice but to advance despite difficulties and unite as one in overcoming difficulty. Efforts should be made to promote the situation to achieve a turn for the better and to pave the road to the achievement of stable development in difficult circumstances.

### III. The Train of Thought for 1989 Work

The guiding ideology of the provincial party committee in 1989 is to put the spirit of the 3d Plenary Session of the 13th CPC Central Committee at the center of all undertakings. Efforts should be made to enhance the party's leadership, to emphatically improve the environment and rectify the order, to continuously deepen the reform drive, to actively readjust the structure, and to vigorously increase economic results. We should also score stable growth in the economy, achieve stability in

social politics, and realize harmonious development among various undertakings. Proceeding from this guiding ideology, we should do a good job in implementing the following four tasks:

A. Efforts should be made to understand in an overall way and resolutely implement the spirit of the 3d Plenary Session of the 13th CPC Central Committee and to apply the criterion of productive forces to deal well with the relationship between the task of improving the environment and rectifying the order as well as the work of conducting reform and achieving development. The CPC Central Committee has repeatedly pointed out that the work emphasis of conducting reform and construction in the coming 2 years should be concentrated on improving the economic environment and rectifying the economic order. In carrying out this important task, we must resolutely act in unison with the CPC Central Committee and by no means should we seek local privileges. Judging from the province's actual situation, the general industrial production growth is only 10 percent, but some enterprises still have problems concerning an overheated economy and blind development. Although there are few companies and corporations of various kinds in the province, their problems concerning "official speculators" or "private speculators" are also very serious. The total investment is lower than the country's standard but some of it has been used for building auditoriums and hostels and for duplicate projects. The investment scale also surpasses financial possibilities. In particular, inflation is serious and the index of commodity prices is high and has never dropped. Therefore, we must unswervingly implement the measures formulated at the second enlarged plenum of the sixth provincial party committee for improving the environment and rectifying the order and various tasks covered by the work summary of the provincial party committee to bring the price hikes under strict control and to ensure that the scale of price hikes in 1989 will be notably lower than in 1988. Efforts should be made to resolutely curtail the scale of investment in fixed assets, to screen in an overall way the projects under construction, to bring under strict control the excessively rapid increase of consumer funds, to resolutely curtail the social institutional purchasing power, to bring the currency release under control, to stabilize the banking situation, and to earnestly screen and consolidate various companies or corporations. Under no circumstances should we have a fine start and poor finish in our work or take hasty action in concluding the work. Meanwhile, we should know that the principle set forth by the CPC Central Committee with regard to "improving the economic environment, rectifying the economic order, and deepening the reform drive in an overall way" is a guideline with active significance and a unified whole. The starting point and end result of improving the environment, rectifying the order, and conducting reform and construction are promoting the productive forces to achieve healthy development. The criterion in testing the achievement scored by units in the work should be focused on determining whether they have



been favorable for developing productive forces. In bringing the contradictions under control and taking the whole situation into account, we should uphold the socialist fundamental task, the viewpoint of historical materialism of developing productive forces, and apply the criterion of productive forces to unify our understanding on the relationship among the tasks of improving the environment, rectifying the order, and deepening the reform drive in an overall way. First, the fundamental way to emancipate productive forces lies in reforms. Therefore, the task of improving the environment and rectifying the order should be carried out under the general principle of conducting reform and opening up to the outside world. The task in this regard is creating conditions for deepening the reform drive. Concentrating on improving the environment and rectifying the order does not mean a standstill or retreat from reforms but represents the work of deepening the reform drive in an overall way. In this regard, the provincial party committee has again defined that there will be no change in fulfilling the general target of establishing the "operation mechanism" of having the state regulate markets and having markets lead the enterprises and establishing the new order of the socialist commodity economy; in separating party affairs from the government work and governmental function from enterprise management, simplifying the administrative work, delegating power to grass-roots level units, and enlivening the enterprises; in enforcing the principle and policy of encouraging towns, collectives, and individuals to open businesses or operate enterprises; and in enforcing the basic policy of having the experimental zones conduct reform and carry out pilot work in advance. In conducting reform, it is of course necessary for us to act according to our capability and to make work arrangements according to the situation in productive force development.

We should slow down the pace of reforms that are not permitted by the development of productive forces for the time being, such as price reform, and should accelerate the pace of those with favorable conditions and that can help promote the development of productive forces, such as enterprise reform. Second, in our improvement and rectification attempt, we should improve not only the "overheated" economic situation, but also strive to "keep it warm" appropriately. In addition to rectifying the disorderly situation, we must also maintain its vitality. We should curtail and stop some capital construction projects, guarantee some key projects, and develop the production of some products in short supply. Apart from controlling prices, we should make continued efforts to display the role of the law of value; cut back credit, investment, and consumption; ensure economic stability; clean up the circulation links; and promote the development of markets for the essential production elements. All these require our efforts to properly delegate powers and set restrictions and to appropriately curtail and guarantee projects. We must rely on the criterion of productive forces to achieve this. We must resolutely improve and rectify those that are unfavorable for developing productive forces, and

actively invigorate those that are favorable. In this way, we can attain the goal of curtailing all projects that should be cut back and not seek uniformity, and can tighten control over money supply but not rigidly stop issuing funds, control commodity prices but not freeze them, and strengthen centralism but not return to old systems. In addition, we should also judge the production development rate in line with the criterion of productive forces. Because the distribution of the essential production factors and the optimization of organizations are issues of primary importance in developing the social productive forces, the preconditions of production development should be rational in structure and appropriate in proportion. On this basis, a low rate of production development should not be considered as slow and neither should a high rate of development be considered as rapid. We should work according to our capacity. One thing we must stress is that the crucial point in this field is to comprehensively and scientifically understand the meaning of the criterion of productive forces. The criterion of productive forces does not simply apply to the standards of rate and profits, or partial or short-term standards. What it implies is a scientific criterion favorable for optimizing and developing the overall social productive forces. As long as we use the scientific criterion of productive forces to analyze contradictions and to judge what is right and wrong, we can free ourselves from being puzzled by the "two difficulties" in our improvement and rectification attempt and in our reform and development, and can comprehensively understand and implement the guidelines of the third plenary session and accomplish all improvement and rectification tasks.

B. The key to improving the economic environment and rectifying economic order is to successfully readjust our province's economic structure. Since the founding of our country, we have conducted several large-scale economic readjustments, and have conducted three readjustments during the last 10 years in particular. The first was conducted right after the "foreign-style adventurist advance" in 1978, the second was conducted right after the "super high rate" in 1984, and the third is the present readjustment. The lessons from the previous two readjustments showed that nearly every readjustment was a duplicated circle of "cutting back the overheated economy as soon as it appeared, incurring people's complaints as soon as we cut it back, relaxing our efforts to control the overheated economy as soon as complaints arose, and returning to the overheated economy once we slackened our efforts." Our economy is always advancing amid difficulties and pains. There are at least three problems worthy of our repeated consideration. First, we failed to thoroughly sort out the guiding ideology of our economic work and to achieve a fundamental change. After every readjustment and cutback we were eager for quick success and instant benefits as soon as the situation became better. We began to launch new projects and to expand the growth rate, and this led to another overheated economic situation. Second, while solving the contradictions between overall supply and demand,



we always excessively increased supply and drastically cut back social demand; failed to simultaneously conduct all supportive readjustments of the irrational production setup, product mix, enterprise organizational structure, and the structure of social demand in line with the principle of optimizing structures; and failed to achieve a benign cycle in this regard. After curtailment, we developed the economy again on the basis of this disproportionate economic structure, and this inevitably led to newly skewed proportions. Third, the deepest reason for this lay in the internal impulse toward lack of investment and consumption that existed in our original economic structure. Under the past system of "eating from the same big pot," and during the process of replacing the old systems with new ones, the phenomena of not taking risks in investment, not setting restrictions in consumption, and not regulating social labor distribution and economic structure by the law of value, will be determined to the greatest degree by the subjective will of the leader. And because of the cadre appraisal system, the price system, the financial contract system, and the enterprise contract system, the subjective will of leaders will lean toward expanding the growth rate.

Summarizing and drawing on historical lessons, we must firmly seize the opportunities brought about by the endeavor of improvement and rectification, promote adjustment with reform, achieve optimization through adjustment, seek development through optimization, and be determined to, by and large, rationalize our province's economic structure before the price reform is put into effect and the peak of debt repayment arrives in order to implement the development strategy defined at the sixth provincial party congress. During the current adjustment, we should pay attention to the following issues when giving guidance for work. First, the purpose of the current adjustment is to optimize the economic structure and to promote a stable economic development. For this reason, we must change the past practice of taking responsibility for running all state enterprises and feeding their staff members and workers or indiscriminately seeking uniformity in doing everything; classify the various categories of enterprises in the course of adjustment; and resolutely enforce the stipulations of the "Enterprise Law" and the "Bankruptcy Law" to order enterprises to halt deficits within a fixed time, give them a warning of bankruptcy, sell them, merge them, or adopt priority ensuring measures toward them so that the organizational structure of enterprises, the product mix, and the production setup can be optimized, the economic results of enterprises can be greatly improved, and the state burdens can be reduced. Second, the focus of the current adjustment is to optimize the disposition and organization of the fixed assets in stock. Calculated on the basis of the financial resources we are able to provide every year, projects already begun with investments by society and the projects under construction in our province will take us 1 and 1/2 years and 4 years, respectively, to finish even if we launch no new projects, thus leaving us little room for increasing fixed assets. This forces us to shift the focus of adjustment to the

existing enterprises, and seek development through comprehensive adjustment and utilizing the fixed assets in stock. Third, the method of the current adjustment is mainly to trade the existing major elements for production and the property rights of enterprises on markets to realize publicity, marketing, and paid transfer through competition of several elements. The first is the major elements for production, such as equipment, factories, talented people, the labor force, technology, funds, and managerial expertise. They should be traded and combined. The second is the management power of enterprises. It should be transferred through public bidding in order to promote contracted or leased operation and association between superior and inferior enterprises. The third is the property rights of enterprises. These should be transferred through markets to realize mergers, purchases of shares, and auctions of enterprises. The road we are taking is different from our previous adjustments, in that we rely not on administrative means to close, suspend, merge, and convert enterprises, but mainly on economic and legal means comprehensively with the guidance of administrative planning and ideological and political work. Closing and suspending an enterprise through administrative means and making the government feed its staff members and workers is no better than auctioning it off or merging it with others, means by which the state can use the income from selling its property rights to establish insurance funds for unemployment to resolve the difficulties arising after an enterprise goes bankrupt. Ordering an enterprise to merge with others or convert its production through administrative means is no better than allowing it to "combine freely" through markets in order to achieve the best results. Fourth, the content of the current adjustment includes not only the adjustment of production setup and the organizational structure of enterprises, but also the adjustment of investment, credit, and consumption patterns. In the investment pattern, we should adjust the direction of fund input strictly according to industrial policies and give priority to agriculture, energy, and the communications industries, as well as the basic industries we are lacking. In principle, investment will not be made in areas where capacity can be expanded through adjustment of the fixed assets in stock. Investment in necessary new plants and technical transformation should be made as much as possible in key projects alone, and the general working procedure is to adopt the shareholding system to sell the stocks of the enterprises which want to start the projects and to give the money to these enterprises. Investment of funds in such projects should be made on a priority basis. Regarding the credit pattern, loans should be granted on a priority basis to projects that conform to the industrial policies. In the consumption pattern, we should sell the property rights of small enterprises, issue securities and stocks of large and medium-sized enterprises, and commercialize residential housing to divert the direction of consumption. We should also turn instant consumption by the people into anticipated consumption so as to help reduce increased consumption and adjust the production setup.

Fifth, the methods for this readjustment are to have famous-brand, quality, and special products and key enterprises play a dominant role; to take the enhancement of industrial associations with advantages and the industries linking urban and rural areas as a central link; to take the rearrangement of the order of developing industries, products, and enterprises as operational means; to take the readjustment and revision of the special policies on planning, revenue, finance, tax revenue, and materials as an orientation; to take the popularization of the restructuring responsibility system among localities and departments as a guarantee; to conscientiously conduct the microeconomic activities in line with the macroeconomic strategic priorities and industrial policies set forth by the provincial party committee and the provincial government; and to substantially ensure the identity and combination of macroeconomic strategic priorities and microeconomic activities. A prominent problem ahead of us now is that there are no mechanisms guiding microeconomic development with macroeconomic strategies or firm restriction measures. A considerable number of localities, departments, and enterprises fail to define work priorities and priorities in terms of the input of manpower, financial resources, and materials in line with the strategic priorities set forth by the provincial party committee and the provincial government. For instance, up to this point, a considerable number of primary and middle school facilities remain old and shabby. Some dangerous school buildings have even not been rebuilt or repaired, although so many office buildings, hotels, guesthouses, and meeting halls have been built in our province. Although far too many processing items overlap, investment in agriculture still makes up a small proportion of the total investment in capital construction. To this end, we should conscientiously study ways to implement the macroeconomic readjustment measures of the central authorities and the province among the grass roots and enterprises. For instance, how can the departments at the provincial, prefectural, city, and county levels strengthen market calculation or comprehensively analyze the economic situation and how can we set up information feedback organs and crisis reporting organizations with a view to providing against possible trouble? How can we inherently combine planning regulation with market regulation or effectively regulate and control central, local, budgetary, extra-budgetary, urban, neighborhood, and town and township enterprises? How can we make the measures for economic readjustment and control set forth by "the departments at various levels" conform to the macroeconomic strategies and the industrial policies in order to avoid the situation in which the measures set forth by various departments are different and in contradiction with each other? How can we exercise unified leadership, define rights and duties, or carry out readjustment and control at each level? How can we attend to the major problems that affect the overall situation of local economic development strategies or immediately and prominently solve them? In short, in the course of deepening reforms, the solution of the problems concerning economic readjustment will not only ensure the

implementation of the principles on controlling some fixed projects and guaranteeing other fixed projects and ensure the principles on mobilizing the people from higher levels downward to improve the economic environment and rectify the economic order, but also enable economic construction to enter the orbit of steady development and a benign cycle. It will also enliven the microeconomy as well as coordinate macroeconomic proportions. This is a sector for integrating reform, improvement, and rectification with development as well as realizing the expectation of rejuvenating Heilongjiang.

C. We should use the opportunity of improving the economic environment and rectifying the economic order to solve the difficulties in development and pay prominent attention to five great matters. First, we should enliven large and medium-sized enterprises. Enlivening large and medium-sized enterprises is the key to stabilizing the development of our province's economy. Harbin, Qiqihar, Mudanjiang, and Jiamusi cities have positively explored work in this regard. For instance, Mudanjiang's thinking of "inherent coordination, external optimization, invitation of dual systems, and special enterprises going ahead of the rest" and Qiqihar's practice of perfecting the contract system, promoting amalgamation, and carrying out the shareholding system on a trial basis have created some successful experiences for us. Why are the large and medium-sized enterprises not sufficiently vitalized? Principally because they lack effective mechanisms suitable for the demands of the development of the commodity economy through which enterprises should conduct self-management, assume sole responsibility for profits or losses, serve the demands of markets, and realize development through competition. In the course of deepening reforms, we should popularize the experiences in deepening enterprise reform gained by Mudanjiang and Qiqihar Cities. We should adopt the methods of "inviting the mechanism of small enterprises to promote the development of large enterprises, turning the big into small, setting up associations among the small to reinforce enterprise economic strength, and taking the large as a center to promote the small" to vitalize large and medium-sized enterprises. "Inviting the mechanism of small enterprises" means to bring in the effective mechanism of town and township enterprises to gradually embark on the path of self-management, self-responsibility for profits or losses, self-development, and self-restriction. Thus, enterprises should apply the methods of town and township enterprises to smash cadres' "iron chairs," staff and workers' "iron bowls," and the distribution system's "big rice pot." Like town and township enterprises, government departments and management organizations should separate government functions from enterprise management in a step-by-step manner.

"Turning the big into the small" means to make smaller units on the basis of cost accounting, to set up a legal entity within these units, to enforce the responsibility system with a competitive nature at all levels, and to



upgrade the quality of managers and optimize the labor organizations. We may delegate power to workshops so as to enable them to be relatively independent in their business dealings with outside units and establish lateral economic associations. We may also enforce the "principle" of having one plant with multiple systems and define the property rights of enterprises and collectives through conducting fund management separately; the property rights of grass roots collectives through having the workshop legal entity sign production contracts; the property rights of staff members and workers through having them raise funds, take risks and mortgages, and buy enterprise stocks; and the property rights of social legal entities through having enterprises and grass-roots level units draw funds (or major elements) from other legal entities, so that we gradually turn our enterprises into ones with various types of stock systems. "Setting up associations among the small to reinforce enterprise economic strength" means to take the large enterprises whose products enjoy brisk sales as a center to establish economic associations and specialized technical coordination among small enterprises, to have large enterprises merge with small ones, to take large enterprises as a center in organizing enterprise groups, and to organize limited liability corporations by having their subordinate enterprises buy shares with funds converted from their property so as to reinforce the economic strength of enterprises and to increase the market coverage of products which enjoy brisk sales. "Taking the large as a center to promote the small" means to have large enterprises sign contracts or leases with small ones or offer services in management, technology, equipment, talented personnel, and products to small ones so as to enable small ones to achieve vitality as well as enable large ones to expand their production. In order to promote the work of enlivening the large and medium-sized enterprises, the cities of Harbin, Qiqihar, Mudanjiang, and Jiamusi should expand their pilot work among the "enterprises" which are engaging in specialized production, earnestly summarize their experience gained in the pilot work, and popularize the experience in a timely manner. In particular, they should earnestly pave a road of readjusting the product structure of large enterprises. Second, we should realistically enhance the foundation, which is agriculture. Compared with other provinces throughout the country or with other fronts within the province, the province's agriculture has possessed an extremely important strategic position. The province's volume of grains procured in line with fixed quota contracts accounts for 10 percent of the country's total volume in this regard. About 90 percent of per capita peasant income in the province is earned from farming operations and 75 percent of raw materials provided for light industry are farm products. The products of agriculture and animal husbandry account for 64 percent of the total volume of commodities exported. Therefore, by no means should we criticize the "principle" of taking agriculture as a foundation; rather, we should renew our understanding of the strategic position of agriculture. Agriculture has no problems related to an overheated economy. On the contrary, we should eliminate the "lukewarm" attitude

toward agricultural production and enhance the people's enthusiasm for it. To this end, a good job should be done in dealing with the problems regarding enhancing the leading systems in agriculture, increasing effective input, and depending on science and technology and on policies. Efforts should be made to actively readjust the internal structure of agriculture, to seize the favorable opportunity, to accelerate the pace of developing high-yield and high-value crops, and to emphatically and successfully improve the low-yield farmland to upgrade the per unit yield. While stabilizing the development of grain production, efforts should be made to accelerate the pace of developing animal husbandry, court-yard enterprises, and town-run enterprises, and to foster the new growing points of the commodity economy in rural areas. We should also stabilize or improve the household responsibility system which bases remuneration on farm output and gradually establish or improve the socialized service system. Efforts should be made to conduct reform in land management in line with the local conditions and by following the principle of conducting adequate centralization, stabilizing the distributed land on a large scale, readjusting land distribution on a small scale, and allowing peasants freedom in selecting land. We should earnestly study the concrete measures of increasing material supplies, scientific and technological services, and funds for agriculture. Efforts should be made to do something in the changeable field of the "double-track" system of grain production. All in all, we should adopt practical measures to enable agriculture to achieve healthy and stable development in 1989. Third, we should develop educational undertakings, promote scientific and technological progress, and continuously do a good job in implementing the "principle" of taking education as a foundation and relying on science and technology to make the province prosperous. Since the 3d Plenary Session of the 11th CPC Central Committee, the "idea" that being poor was not the purpose of socialism has taken root in the hearts of the people, but the "idea" that we cannot build socialism on the basis of ignorance has not been generally fostered. The provincial party committee will emphatically conduct reform and development in education in 1989. Leading comrades at all levels must know well that education is not only an important aspect of building the spiritual civilization, but also is a strategic emphasis in developing the economy and society.

In compliance with the needs of the economic structural reform and the adjustment of the economic structure, we should continue to deepen the educational reform and restructure secondary and higher education. We should popularize the experiences in raising funds for developing schools, encouraging the entire society to develop education, and improving teaching conditions gained by grass-roots units. Concerning the work to develop the province through science and technology, the general demand is to closely combine science and technology with the economy and convert scientific and technological results into actual productive forces as quickly as



possible. In the circumstances where fixed asset investment is greatly reduced, it is all the more significant to rely on science and technology in developing productive forces. We should focus on establishing mutually supplementary and long-term and stable relationships between urban and rural areas; between large and small enterprises; and between colleges, universities, and scientific research units on the one hand and counties on the other. Meanwhile, we should consider how to establish the mechanisms of interest and market guidance and truly study some major policies and work out some major programs to accelerate the development, spread, and commercialization of applicable technology. Fourth, we should expedite the implementation of the strategy of "association with the south and opening to the north." We should further step up work to comply with the situation in which the "hot spots" of opening to the outside world are moving northward. The orientation of the border trade is to achieve "four combinations," namely, the combination of the efforts to open to the north with those to associate with the south to foster a sense of establishing major border trade outlets, and to promote large-scale opening up through large-scale association; the combination of commodity trade and labor exports with economic and technological cooperation, with a view toward long-term cooperation and expansion with the inland markets of the Soviet Union; the combination of opening up and imports with optimization of the production setup and implementation of the economic development strategy to make border trade outlets lead the inland areas and to facilitate the development of the export-oriented economy; and the combination of delegating foreign trade power to lower levels with consolidating foreign trade order to conscientiously solve the problem of "fighting among ourselves," and to build foreign trade outlets into showcase cities with developed spiritual civilization. Foreign trade should be used to promote domestic trade and vice versa. Fifth, we should wage anticorruption struggles to keep party and government organs clean and honest. At present, cadres and the masses lack sufficient confidence in our fulfilling the task of improvement and rectification put forward at the 3d Plenary Session of the 13th CPC Central Committee. Confidence, in essence, is an issue of trust. If our party cannot win the trust of the masses in its honest performance of duties, development of the party's political advantages will be out of the question. Therefore, we should have the determination to resolve this issue. First, we should not rely on departments alone in remaining clean and honest in performing duties. Party committees should take command, leading persons at various levels should take the lead, and the entire party should participate in tackling problems with comprehensive measures. Second, failure to effectively eliminate some corrupt phenomena is related to failure to exercise effective supervision over and restriction on powers. Therefore, the method for a permanent cure is to facilitate the supporting reforms for the economic and political structures focusing on honest performance of duties. All localities should conduct explorations bravely rather than waiting for instructions

from higher authorities on all reform measures and systems conducive to honest performance of duties. They should do whatever they can to establish effective mechanisms for supervision and control. For example, they should establish effective discipline inspection and supervision mechanisms; establish the system to make public such organizational methods as multicandidate elections, democratic appraisals, employment through examination, exchange and transfer of cadres, and the management mechanism that separates the party, government and enterprise; and establish the system to make work procedures public. Third, we should strive to institutionalize and legalize all measures that have proven successful through practice, such as making work procedures public, increasing the visibility of party and government affairs, and strengthening democratic supervision by the masses. Fourth, in the process of dealing blows to corruption, punishing "official speculators," and strengthening discipline, we should emphasize public handling of major and serious cases so as to truly evoke repercussions, give a warning to others, and enhance the confidence of the masses. Party committees, governments at various levels, and various departments should firmly support the work of discipline inspection, supervision, and auditing departments. The provincial party committee should clearly define the responsibility for fulfilling the aforementioned five tasks, and make them successful. By so doing, it will be possible for us to promote the work of various fields next year.

D. We should conduct education on the current situation and tasks on the basis of discussing the criterion of productive forces. The party committees at all levels should deeply conduct education on the current situation and tasks in line with the plans of the 3d Plenary Session of the 13th CPC Central Committee, unify thinking through this education, enhance spirit, unite with the broad masses of people to overcome difficulties with one heart and one mind, and promote sound development in our improvement and rectification work and in reform and construction. First, in conducting education on the current situation and tasks, we must have a yardstick for judgment, and this yardstick must be the criterion of productive forces. Therefore, we should consider education on the current situation and tasks as the deepening and continuity of the discussion of productive forces. Second, this education should be conducted at two levels. We should mainly conduct purposeful positive propaganda and education among the broad masses of cadres and the people. Among the leading bodies at various levels, we should mainly conduct study and discussions on "comprehensively summarizing reform experiences"; use the criterion of productive forces to review our past work; sum up advantages and disadvantages, success and failure; translate our past practices into laws; overcome blindness; and enhance our awareness. On the basis of summing up experiences, we should formulate measures for improving the economic environment, rectifying economic order, and deepening reforms. Third, in conducting education on the current situation and tasks, we should

keep in close contact with reality while solving difficulties in the improvement and rectification work and in reform and development. Taking a view of the whole province and of various departments and localities, there are problems affecting the whole situation of the development of productive forces, problems where contradictions are concentrated, problems involving a large sphere of work, and problems which have remained unresolved for a long time. To solve these problems, we should extensively listen to the opinions of leading cadres at all levels, theoretical workers, and practical workers, exchange views and opinions with various quarters, and draw on collective wisdom and absorb all useful ideas. Therefore, we should follow the method of the discussion of the criterion of productive forces, discuss every special topic, and study ways to solve the problems. Fourth, in conducting this education, we should improve and strengthen ideological and political work, be good at persuasion, and strive to ease all social contradictions. With regard to problems that the people are sensitive to, the principal leading comrades should do ideological work personally, try by all possible means to solve practical problems, and guarantee stable and united social and political situations. At present, one of the prominent problems which the people have strong complaints about is poor social order. The party committees and governments at all levels should pay great attention to this and grasp this work well.

#### **IV. Display the Party's Role as the Core of Leadership, and Enhance Our Ability To Control Contradictions and To View the Overall Situation**

The year 1989 is one in which the improvement and rectification work, reform and development, will be mutually conditioned and promoted. All contradictions will be relatively prominent, and the work will be very difficult. We will face many new situations and problems. The content and environment of policymaking of the leaders at all levels will be changed. This has set forth higher demands on our practical level of leadership and the ability of policymaking. Under such circumstances, we must strengthen the party's status and role as the core of leadership and display our political advantages. In strengthening party building, particularly the building of grass roots party organizations, we should conscientiously grasp it in line with the plans defined at the sixth provincial party congress. Now I am going to touch, in particular, on the issue of making leading bodies at all levels consciously strengthen their ability to control contradictions and view the overall situation with the guidelines of the 3d Plenary Session of the 13th CPC Central Committee.

A. We should enhance the ability to withstand pressure and disperse contradictions. So far, "two difficulties" objectively exist in social activities. It is difficult to dodge difficulties and contradictions. In the face of difficulties and pressure, we should be inspired with enthusiasm, bravely advance despite difficulties, and personally solve and handle difficult questions. At

present, many comrades are talking about difficulties, pressure, and worries. All this shows that they are concerned with the state, the people, and undertakings, and have a clear understanding about the situation. As the old saying goes, "it is better to be born in misery and die in peace and happiness." We need such sober-minded awareness of "misery" in the great practice of building the four modernizations and rejuvenating China. If the people are well guided to treat the worries about the situation and the future, the whole nation will enhance the sense of urgency and cohesive force and turn pressure into motive power. Our aim in speaking of pressure and talking about worries is to consciously share worries with the state and the people, to treat difficulties with a positive attitude, to withstand pressure with a spirit of fearlessness, and to disperse and control contradictions with scientific courage and resourcefulness. In the face of difficulties, party-member leading cadres must not shift responsibility to higher or lower levels, complain of hardships and difficulties, be evasive, or look on unconcerned. The key to handling some problems hinges on whether or not we are brave enough to face difficulties and whether or not we are afraid of offending others. It does not, however, lie in whether or not we can clearly understand or accurately grasp problems. Pressure and contradictions can test our mental state and party spirit as well as our decisionmaking ability. Thus, enhancing the ability to withstand pressure and disperse contradictions is a demand of the greatest prominence for leading cadres at various levels as well as a test of the utmost importance to them.

B. We should enhance the interest in studying theory and the ability to study practical problems. So far, reforms do not extend to deep layers. Therefore, we need upgraded levels of leadership at new layers. Only when we strengthen study, go deep into reality, and conduct investigation and study in face of the complicated situation can we have the right to speak and gain the initiative. Some of our comrades are indeed busy and suffer hardship since they work all day long. However, they are not interested in studying theories and practical problems, are used to considering things as they stand, and superficially handle problems. In this way, they do not come to grips with the essentials in their work but may land themselves in confusion and perplexity under the complicated situation or even cause damage to their work by blindly keeping abreast of the trends. If they do not deeply understand the situation or consciously think of and study some theoretical and realistic problems, they will not be suited to the demands of the new situation even though they have richer experiences and a more intimate knowledge of their professional work. Next year, the provincial, city, prefectural, and county leading bodies should attend to two great matters in their self-construction. First, they should enhance their interests in theoretical study, try every means to free themselves from harassment due to specific affairs, and conscientiously study the political and economic theories to meet the urgent needs in the practice of reform



and construction. Second, they should vigorously advocate the practice of conducting investigations and study, and go deep among the lower levels to study problems with the frontline comrades in the countryside and enterprises. Leading bodies at various levels should regularly gather together for study and discussion, approach questions from the angle of the overall situation, improve the train of thought, integrate the handling of concrete matters relating to work with the discussion on principles and ideological guidelines, step onto the "commanding elevation" to look upon the overall situation, attend to the crux of the problems that affect the overall situation, find methods to solve contradictions and overcome difficulties, and strive to keep sober-minded and calm in handling problems and guiding work.

C. We should enhance the ability to judge the hour and size up the situation and apply scientific methods to make policy decisions. To enhance this ability, we should scientifically analyze the situation, accurately grasp the overall situation, and be good at grasping and using favorable chances to develop and enhance ourselves. Expanding the degree of democracy and publicity is the most important thing in making policy decisions in a scientific manner. The current complicated situation cannot be controlled with the knowledge, experience, and wisdom of an individual or a leading body. Only when we concentrate the wisdom of the whole party, nonparty figures, and the vast number of the people can the contradictions be controlled and the difficulties be tided over.

The party and government bodies of the province, cities, prefectures, and counties should consciously promote the democratization and scientific style of policy decisions. Attention should be paid to bringing into better play the role of research units, advisory organs, and all men of insight. To ensure the scientific nature of important policy decisions, in addition to dealing with some important problems through holding special discussion, we should improve the procedure for making policy decisions and solicit opinions on all policy decisions which involve the whole situation from the following three social circles: First, efforts should be made to solicit opinions from the grass-roots level units on the policy decisions which involve their interests and rights. Second, efforts should be made to solicit opinions on the policy decisions from the research units and advisory departments. Third, efforts should be made to solicit opinions on the policy decisions from various democratic parties, experts, and scholars. We should open to the public the activities of party and governmental affairs suitable to being opened to the public so as to upgrade the scientific standard and timely effectiveness of policies and to maintain the continuity of policies.

D. We should enhance organizational coordination to promote the capability for work implementation. For now we should deal with many problems that involve a large number of units at all levels and overlap in a

complicated way and very easily stir up disputes or arguments. Therefore, it is very important for these trouble-ridden units to cooperate or coordinate with each other. Close cooperation and coordination in work among the units under party committees at all levels or under the party and government bodies should be carried out vertically and horizontally and be conducted among the leading bodies of the party committee, the people's congress, and the CPPCC committees. Party committees should play a core or leading role in assuming the "responsibility" of general pivot; realistically enhance the work of coordination, supervision, persuasion, and inspection; and do a good job in implementing various tasks. What I must stress here is that our party committees and government affairs commissions are not "federations" and that their personnel in charge of their own administration should not speak on behalf of their own interests in carrying out consultations on political affairs and other matters, but should take the stand of collective leadership and study the problems by proceeding from the situation as a whole. Only by proceeding from the situation as a whole in studying and dealing with problems can we achieve coordination in concrete work. Particularly during the coming 2 years of improving the environment and rectifying the order, there will be more and more matters that can be only settled through cooperation and coordination. Therefore, we should consciously carry out mutual understanding and support. The prominent weak point of our work in the past was insufficient work implementation. Hereafter, we should sign contracts with specific personnel on the responsibility of implementing the policies which have been fixed, clearly define the demand and date for fulfilling the implementation, establish inspection and report systems, commend those who have scored achievements in implementation, and criticize those who have failed to fulfill the implementation. Efforts should be made to work out practical measures, to do practical deeds, to vigorously grasp implementation, and to seek practical effect. Only by so doing can we be truly responsible for the party and the people throughout the province.

E. We should enhance the capability for self-restraint. We will achieve nothing in overcoming so many difficulties and so much pressure without the trust and support given by the vast number of people. The most important way to draw the people's understanding and trust is to perform official duties honestly. All members of the provincial party committee should succeed in observing the six-point law, since it has made the law public, and set examples in this regard for the people throughout the province. Leading comrades in various prefectures, cities, and counties should formulate rules and regulations, make them public, abide by them, and place themselves under the supervision of the broad masses of party members and the people. We should not regard the observance of rules and regulations as trifles because the



masses are judging the image of leaders by looking into these trifles. In addition to performing official duties honestly, we should also consciously enhance our self-restraint in line with party discipline. In view of the entire party, we should resolutely act in unison with the CPC Central Committee, and in view of the entire province, we should consciously implement the resolutions and decisions made by the provincial party committee. Party-member leading cadres who work in the people's congress, the CPPCC Committee, and administrative and economic organizations should consciously give expression to the party's will, safeguard party unity, and ensure the work of bringing the party's central and leading role into play.

Comrades: We are at the end of the year, busy in our work, and encountering various difficult things that have cropped up at the end of the year. Both the joy of achievement and the worry of "two difficulties" have reached us together. During the new year, we will withstand the most serious test that has cropped up over the past 10 years of reform. The provincial party committee expresses its hopes that party organizations at all levels throughout the province and the broad masses of party members and cadres will heighten their spirit, advance despite difficulties, unite as one, work with perseverance, and lead the people throughout the province to vigorously struggle, to withstand the test, and to fulfill the 1989 tasks in an overall way.

**Britain To Set Up Cultural Center, Visa Office**  
*OW2501233489 Taipei CHUNG YANG JIH PAO*  
*in Chinese 18 Jan 89 p 1*

[Text] According to a 15 January dispatch from Feng Chih-ching, this paper's reporter stationed on the west coast of the United States, Elton, a senior British Parliament member, indicated that Britain will set up a cultural center and visa office in Taiwan in May this year to strengthen Sino-British cultural, economic, and trade relations.

Sir Elton disclosed this while addressing a dinner in San Francisco on 15 January at the invitation of the annual meeting of the Sino-U.S. Association for Economic, Scientific, and Technological Development. The speech is entitled: "March Toward a New World Order From Europe, America, and the Pacific Rim."

Sir Elton has served as Britain's secretary of transportation, sports, and the environment. He is now British Prime Minister Thatcher's foreign affairs spokesman.

In the speech he compared and analyzed the wide gaps in development between the two sides of the strait. He said: Residents on the two sides of the strait are of the same race, share the same language, and there are no differences in cultural background and intelligence. However, different systems have yielded different results over the past 30 years. The side that practices Marxism-Leninism is now poor, economically backward, and educationally and politically unstable, and people have no confidence in the future. The Republic of China, on the other hand, which practices a system of democracy and freedom, has been able to implement political renovations constantly and achieve rapid economic growth. The people there are prosperous and live in peace. It not only has become a force of stability in the Asia-Pacific Region but has also exerted its influence over other parts of the world.

**Editorial Views Issues Facing New U.S. President**  
*OW2401224789 Taipei CHINA POST*  
*in English 20 Jan 89 p 4*

[Editorial: "Good Luck, Mr Bush"]

[Text] George Bush will be sworn in today as President of the United States at a magnificent inaugural ceremony marking the beginning of a new era in U.S. domestic and foreign affairs.

The inauguration will cost an unprecedented U.S.\$25 million, though the executive director of the inaugural committee, Stephen Studdert, said, "We are extremely cost-conscious." By comparison, President Ronald Reagan's 1981 and 1985 inaugurals cost U.S.\$15.5 million and U.S.\$20 million, respectively. Studdert said, however, that the inauguration represented the strength and continuity of American democracy and the peaceful transfer of power and was "worthy of celebration."

He may be right. Yet, as Reagan's successor, Bush will face a multitude of economic problems that may very well prove to be his major challenge in office.

During Reagan's presidency, joblessness once rose to its highest levels since the late 1930's and a great number of American businesses went bankrupt because of foreign competition. Poverty and homelessness increased considerably. Most notable, however, may be the fact that the U.S. has run up such a huge monthly trade deficit, which widened to U.S.\$12.5 billion last November, that it has become a debtor nation for the first time since World War I.

This does not imply that Reagan has failed completely to rejuvenate the American economy. He lowered inflation from 13 percent in 1980 to the 4 percent rate of today and cut unemployment in half, to just over 5 percent. On the whole, the U.S. economy was prosperous and underwent a good deal of recovery and growth during Reagan's presidency.

As a supporter of Reagan, Bush will base most of his policies upon those initiated under the Reagan Administration. Bush will, for example, continue with the doctrine of opposing the expansion of Soviet influence. In addition, Reagan's policy of economic sanctions against Panama will continue. Also under Bush, the U.S. Government might give sustained support to the contra rebels fighting the leftist Nicaraguan Government.

Concerning the Bush administration's attitude toward the Republic of China [ROC] on Taiwan, James Baker III, the new secretary of state, has said on one occasion that the new U.S. Administration will continue to respect the Taiwan Relations Act, and he also noted that the U.S. should maintain its friendly attitude toward the ROC.

He added, however, that the ROC should further its efforts to improve its bilateral trade ties with the U.S.

This, indeed, is the direction which the ROC should follow in its dealings with the U.S. The huge ROC-U.S. trade imbalance will remain a source of friction between the two traditionally friendly countries. Despite the friendly attitude of the new U.S. Administration toward us, we must strive to redress the trade imbalance.

The U.S. led the world in economic strength and military power after the Second World War. Its brilliance has become somewhat dimmer in recent years and it is no longer exerting as strong an influence in the world as it used to. Still, the U.S. is a prosperous and affluent nation playing an important role on the international scene and maintains its role as leader of the free world. We hope it will, under the Bush administration, continue to be strong and active.

We wish Bush and his staff luck and success throughout the next four years.

**Imports, Exports Drop 'Substantially' in January**

OW2501230089 Taipei International Service  
in English 0200 GMT 21 Jan 89

[Text] The Ministry of Economic Affairs said Thursday: Both imports and exports dropped substantially in the 1st weeks of this month. During a 2-week period the country's imports totaled U.S.\$1.7 billion, down 10.4 percent from the same period last year. Exports, on the other hand, amounted to US\$2.4 billion, declining by 5.2 percent from 1988.

Officials noted: It is the first time in a long while that both imports and exports have declined in the same month. The country's imports, boosted by higher local currency and lower tariff, have been steadily growing in the past year.

Official estimates for this year's two-way trade are U.S.\$126.5 billion, with a surplus of US\$7 billion, compared with last year's U.S.\$10 billion.

**Economic Policy To Stress Both Imports, Exports**

OW2301054089 Taipei CNA in English 0318 GMT  
23 Jan 89

[Text] Taipei, Jan. 23 (CNA)—The Republic of China [ROC] Government will move on to help local industries solve their problems instead of subsidizing them after the statute for encouragement of investment expires by the end of 1990, Chairman Fredrick F. Chien of the Council for Economic Planning and Development [CEPD] said last Saturday.

The government will expand its foreign markets by devoting itself to "star industries" under the principles of low energy, low contamination, automation and high value-added production, he added.

In a press conference held at the Government Information Office, Chien said that the 10th four-year plan the CEPD is drafting for the development of the nation's economy will point out the direction in which the nation will move in the transition period of its economic transformation.

He said a policy stressing both import and export will be adopted to replace the nation's current export-oriented economic policy.

Under the principle of economic liberalization, the government will no longer encourage the development of individual businesses, but will instead help them solve problems so that they can shift to the more promising "star industries," he said.

Chien also said that the current ROC consumer price index does not reflect the real value of the new Taiwan [NT] dollar because it excludes real estate prices and wages.

The NT dollar has appreciated 45 percent during recent years, he said, adding that the present NT dlr [dollars] 27.68:U.S. dlr 1 exchange rate is quite reasonable.

**Two Chinas Remain 'Technically at War'**

OW2401012389 Taipei CNA in English 1522 GMT  
23 Jan 89

[Text] Taipei, Jan. 23 (CNA)—President Li Teng-hui said Monday that after six decades of intense struggles with the Chinese Communists, the Republic of China [ROC] knows communism well and is therefore most staunch in its anti-communism.

President Li spoke while meeting 26 dignitaries here to attend the 1989 World Freedom Day activities. He exchanged views with them on both Republic of China's anti-communist policy and on the global situations.

"We firmly believe that only by wiping out communism from the world, not by compromising with it, can communist expansionism be checked," Li said.

This does not, however, run counter to the ROC Government's recent move to permit private contacts between the two sides of the Taiwan straits, because the Peiping regime has yet to cancel its "four insistences" policy and its attempts to attack Taiwan by force. The two sides still remain technically at war, he said.

Elaborating on the private visits of Taiwan residents to their relatives on the Chinese mainland, Li said that "we hope the personal contacts will help the 'Taiwan experience' to be fully understood and thus accepted by the mainland people."

An optimistic Li asserted that democracy will eventually overwhelm totalitarianism and China will be reunified under freedom, equality, and the equitable distribution of wealth, all taught by the three principles of the people.

Asked by the visitors about the recent Soviet and Chinese Communist reform efforts, Li replied that fundamental changes cannot be made from within, so their reforms will be limited and will encounter great difficulties.

During the meeting, the president also discussed with his guests future ties between the ROC and Southeast Asian countries and the European Economic Community.

The 26 world anti-communist leaders, including U.S. Congressman Vin Weber, paid their courtesy call on President Li in the company of Clement C.P. Chang, president of the ROC chapter of the World Anti-Communist League.



**Mainland Cultural Affairs Network Established**  
*OW2501225889 Taipei International Service*  
*in English 0200 GMT 21 Jan 89*

[Text] As cultural interchanges between the two sides of the Taiwan Strait heighten day by day, the Council of Cultural Development and Planning has established a nationwide cultural information network and gathered important data on Mainland China's cultural affairs.

Council Chairman (Kuo Wei-fan) made the statement Friday at a press conference hosted by the Government Information Office.

In addition, (Kuo) said: When the projected Ministry of Cultural Affairs comes into being, some new institutions will also be set up, such as the institutes on cultural heritage, Chinese languages, and ethnic arts, to fully promote cultural construction in the country.

**Commentary Views Trade Increase With Mainland**  
*OW2201011589 Taipei International Service*  
*in English 0200 GMT 18 Jan 89*

[Station commentary: "Trade With Mainland China Up in 1988"]

[Text] Contrary to all expectations, two-way indirect trade between the Republic of China (ROC) on Taiwan and Mainland China soared to more than \$2.5 billion in 1988. This is according to the Board of Foreign Trade.

Taiwan's exports to the mainland reached nearly \$2 billion, with most of it going through intermediaries in Hong Kong. The level of trade across the Taiwan Strait via Hong Kong grew some 60 percent in 1988. The Chinese mainland is now the fourth largest buyer of Taiwan goods.

The Board of Foreign Trade reported that herbal medicines continued to be the leading import item from Mainland China. Meanwhile, Taiwan exports of motorcycles increased a whopping 3,000 percent over 1987 figures. Sales of polystyrene rose over 1,000 percent for the second largest growth category in Taiwan exports to

the mainland. The indirect trade has risen despite government warnings here about becoming too reliant on the mainland as an export market. The government cannot protect manufacturers against the economic effects of markets that become suddenly closed here. There are no legal or other institutional mechanisms to deal with such potential disruptions.

Trade between Taiwan and the mainland is up for two major reasons: First, mainland consumers are showing increasing receptivity toward Taiwan products; and second, the government's recent liberalizations in policy toward mainland China have emboldened more Taiwan exporters to engage in the mainland market. One field in which Taiwan manufacturers have excelled in sales on the mainland is personal computers. Taiwan-made PC's are now reported to carry a 60 percent share of the mainland market.

Recently, a group of microcomputer exporters from Taiwan toured Peking, where they found, somewhat to their surprise, Taiwan-made PC's and computer boards were everywhere on the "computer street" in the Haiting District of Peking. The group paid visits to major mainland technology centers and private electronics and computer firms, under the auspices of the Academy of Sciences.

In a related news, more than 70 Taiwan-based electronics firms have signed up to attend the first Taiwan electronic product show to be held in Peking in April. That event has warned Taiwan manufacturers to the mainland, despite government warnings of becoming too overzealous in an uncertain market.

On the other hand, the ROC Government on Taiwan sees some obvious benefits in allowing such technological exchange to occur on the level of consumer electronics. Said one official: The more the mainland knows about our prowess in these areas, the more it will help their own economic reforms, toward a system more compatible, at least economically, with ours.

In doing trade with the mainland, there are indeed risks involved. But if all goes well, the eventual payoff for Taiwan may be no less than the gradual end of communism on Mainland China.

## Hong Kong

### UK Committee Talks Likely To Include Governor

HK2601021589 Hong Kong SOUTH CHINA  
MORNING POST in English 26 Jan 89 p 3

[Text] The Governor, Sir David Wilson, and Foreign Secretary Sir Geoffrey Howe could be ordered to appear before a high-powered Parliamentary committee which is probing Britain's role in implementing the Joint Declaration.

A committee member, Labour MP Dennis Canavan, said: "We almost certainly will want to talk to both Sir David and Sir Geoffrey when we begin our work."

Whitehall, however, would be under no obligation to act upon the findings of the Foreign Affairs Select Committee once it completes its investigation, due to begin in April.

Although it is only obliged to reply to the committee's report three months after it is tabled before Parliament, the British Government is unlikely to ignore its recommendations if they had a bearing on future decisions affecting Hong Kong, Mr Canavan said.

"We don't have compulsory powers to ensure they act, but I would hope that if we gave a unanimous report, the Government would consider the conclusions very carefully indeed," he said.

The 11-member committee, comprised of six Conservative and four Labour MPs and chaired by Conservative MP David Howell, could ask witnesses to appear before it.

"If they don't, a summons can order them to appear," Mr Canavan said from London.

No decision has been made on whether the committee will have access to confidential Foreign and Commonwealth Office files on Hong Kong—ranging from the secret deliberations between Britain and China which led to the signing of the 1984 joint accord to bilateral decisions on the pace of political reform, nationality and the Basic Law.

"We can ask for access to confidential papers and the Government would normally give us access to papers unless they concerned something highly classified," he said.

While the committee can receive material of a confidential nature, it would be on shaky ground if it challenged either the British or Hong Kong governments in examining documents classified as confidential.

With 8 1/2 years left under British rule, the House of Commons announced at the weekend the select committee would investigate whether Britain was living up to its obligations to Hong Kong.

A heavy work schedule means the committee will not visit Hong Kong until late April or early May. It was earlier thought the group might visit as early as March.

The committee must complete a major study on the political impact of arms control and disarmament in the Soviet Union and the Eastern Bloc before it can start its work on Hong Kong.

While details have yet to be worked out, the committee is hoping to spend a week in the territory before travelling to Beijing where it will spend a few days meeting officials involved in Hong Kong affairs.

Among those whom the panel hope to see are the Director of the Chinese State Council's Hong Kong and Macao Affairs Office, Mr Ji Pengfei, who is also chairman of the Basic Law Drafting Committee.

Panel members plan to wrap up their talks in Hong Kong and Beijing within 10 days.

The committee will carry out its work through formal and informal hearings.

The probe on Hong Kong is the first of a series of studies it will conduct during the year. Other studies include the move towards a unified common market, South Africa and British aid.

The spokesman said Parliament was still investigating the powers of the select committee to summon people to hearings. In the United Kingdom, the committee has the power to summon persons and records during formal hearings at Westminster.

The decision to look into Hong Kong was based on lobbying from local individuals and organisations.

Mr Canavan said: "Some representations had been received from organisations in Hong Kong expressing concern about the future, the drafting of the Basic Law and the lack of democratic progress."

The committee met two weeks ago and decided to limit its brief on the implementation of the Sino-British agreement.

"If we had a wider remit, it would take much longer and we want to get that report finalised and published before the summer recess," Mr Canavan said.

The Foreign Affairs Committee has conducted similar studies on other territories including Gibraltar and the Falklands.

Mr Canava said the House of Commons might debate the report.

**Company Assures Nuclear Power Plant's Safety**  
HK2601023589 Hong Kong SOUTH CHINA  
MORNING POST in English 26 Jan 89 p 3

[By Tim Metcalfe]

[Text] Hong Kong Nuclear Investment Company chief Sir Jack Cater last night insisted that Daya Bay's nuclear power station was being built safely.

But he says evidence of a newly discovered seismic fault near the station is still being investigated.

Sir Jack, managing director of the company owning a 25 percent stake in the Guangdong Nuclear Power Joint Venture Company (GNPJVC) which is building Daya Bay, said: "The area is a relatively stable block."

He was responding to disclosures of a fault which is marked on the Beijing State Bureau of Seismology's latest seismotectonic map of China.

Sir Jack said the atomic plant developers were unaware of its existence.

"The GNPJVC is making inquiries with the State Bureau of Seismology," he said.

The joint venture had received "no new data" about seismic faults in the Daya Bay area since a construction permit for the \$28.8 billion nuclear plant was granted in late 1987.

He said the State Bureau of Seismology had itself reviewed seismic analysis of the site before a building application for the station was submitted to the National Nuclear Safety Administration.

All known faults in the Daya Bay area were "taken into account" when the site was selected, Sir Jack said.

That analysis indicated there were no active faults within eight kilometres of the plant.

The closest known fault was 20 kilometres away, he said.

Sir Jack added that no earthquake tremors as high as VI on the Mercalli scale had occurred within 50 kilometres. The station is built to withstand a shock of VII, which would crack the walls of houses.

The newly-discovered fault was identified by a senior Hong Kong Polytechnic lecturer in engineering geology, Mr Maurice Atherton.

It has not yet been established whether the fault is still active. Chinese seismologists have classified it as "uncertain".

**Macao**

**Basic Law Committee Increases to 81 Members**  
HK2601021389 Hong Kong HONGKONG STANDARD  
in English 26 Jan 89 p 2

[Text] Local members of the Macao Basic Law Drafting Committee have decided that the Macao Basic Law Consultative Council will have 81 members.

They endorsed the number without much discussion at their fourth meeting yesterday.

The number was proposed by a council working group.

The members will be appointed from eight sectors: trade, industry, labour, legal sector, news media, professional experts, religion and others.

Trade and industry will have the largest number of members.

Two-thirds of the members would be "recommended" by associations and organisations, one-third will be "invited" by individual drafters or "self proposed".

The membership did not reflect race or ethnic origin, but it is believed the Portuguese would mainly be represented in the legal and professional sector. The next local meeting was set for March 17 when a "preliminary lists of members" will be discussed.

END



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